

Illinois Department of Revenue

Calendar Year 2004

General Information Guide for Illinois Taxpayers



This booklet contains general information about our services and the programs, taxes, and fees we administer.

Quick Sources for Help

Telephone assistance

Service area

Telephone number

Bingo and Charitable Games Office (application and registration only)	217 524-4164
Board of Appeals	312 814-3004
Business Hot Line	217 524-4772
Central Registration Division	217 785-3707
Circuit Breaker Grant, Pharmaceutical Assistance, and SeniorCare Program Line	1 800 624-2459
Note → Our toll-free Circuit Breaker Grant, Pharmaceutical Assistance, and SeniorCare programs line can be accessed only from within Illinois.	
Freedom of Information Office	217 782-0985
Illinois Gaming Board (riverboat gambling)	
Springfield	217 524-0226
Chicago	312 814-4700
Illinois Tax Fax	217 785-3400
Legal Services Office	217 782-7054
Legislative Office	217 785-5918
Motor Fuel Division	217 782-2291
Miscellaneous Taxes Division	217 782-6045
(e.g., cigarette, gaming events, hotel, liquor, public utilities, tobacco products)	
Office of Local Government Services	217 782-3627
Problems Resolution Division	
Springfield	217 785-7313
Chicago	312 814-2624
Sales Tax (specific account inquiries only)	217 782-7897
Tax Fraud Hot Line	1 800 243-2811
Taxpayer Assistance Lines	1 800 732-8866 or 217 782-3336
TDD (telecommunications device for the deaf)	1 800 544-5304

Forms

Source

Telephone number or location

Forms Order Line	1 800 356-6302
Illinois Tax Fax	217 785-3400
Web site	www.ILtax.com
IDOR locations	See Page 10
U.S. post offices in Illinois (income tax forms only)	
Illinois libraries (income tax forms only)	
Illinois banks (income tax forms only)	

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Responsibilities

General information

The Taxpayers' Bill of Rights identifies your rights and our responsibilities to ensure that those rights are protected.

Taxpayers' Bill of Rights

- *You have the right to call the Illinois Department of Revenue for help in resolving tax problems.*
- *You have the right to privacy and confidentiality under most tax laws.*
- *You have the right to respond within specified time periods to our notices by asking questions, paying the amount due, or providing proof to refute our findings.*
- *You have the right to appeal our decisions in many instances within specified time periods by asking for our review or by taking the issue to court.*
- *If you have overpaid your taxes, you have the right to a credit (or, in some cases, a refund) of that overpayment.*

The full text of the Taxpayers' Bill of Rights is contained in the Illinois Compiled Statutes, 20 ILCS 2520/1 *et seq.*

For more information about these rights and other departmental procedures, visit our web site at www.ILtax.com or contact us at the address or telephone numbers below.

write: ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19044
SPRINGFIELD IL 62794-9044

call: 1 800 732-8866
1 217 782-3336
1 800 544-5304 (TDD-telecommunications device for the deaf)

Our responsibilities

We must give you correct and complete information to help you comply with tax laws in Illinois. Our forms and instructions explain the specific filing and payment requirements and methods, appeal processes, and limitation periods we both must follow, according to each tax act.

If we send you a bill or notice, we will tell you why you received it, what actions you may take to resolve the matter, any protest actions that may be available to you, and what number to call for assistance.

We must give you courteous and responsive answers if you contact us with questions about your account, need help meeting your tax obligations, or have questions about a particular tax matter.

All information you give us on your returns, in your correspondence, and during meetings with our auditors or representatives is kept confidential. However, we will follow the laws that require or allow us to share confidential information with other government agencies (*e.g.*, the Internal Revenue Service and other state and local taxing authorities) to ensure that you have met your payment obligations. These agencies must agree to keep this information confidential.

Your responsibilities

The Illinois tax system is based, in large part, on your ability to calculate the amount of tax you owe and pay that amount when it is due. To help you meet this responsibility, we provide the most recent tax information on our returns and in our instructions, bulletins, booklets, and publications. It is your responsibility to obtain this information and use it concerning your registration, filing, and payment requirements.

We cannot be held responsible if you do not take reasonable steps to request forms or other information you need to meet your tax obligations. Ignorance of the law is not considered a valid reason for not meeting your registration, tax filing, or payment requirements, so make sure you are well informed.

General information

We provide a variety of services designed to help you solve problems that you may encounter when you complete your tax return, respond to a notice, or determine your account's current status.



Internet service

You can reach us on the Internet at www.ILtax.com. Our web site is customized to meet the needs of four separate groups: individuals, businesses, tax professionals, and local governments. Each group has its own area on our web site that contains specific information of interest to that group. For example, in the "Individuals" section, only the tax information that pertains to an individual is presented (e.g., Illinois Personal Identification Number (IL-PIN) inquiry, individual income tax refund status and direct deposit information, information about the Education Expense Credit, information about programs for senior citizens and persons with disabilities). Additional sections that are not necessarily targeted to a specific type of taxpayer are identified below.

- Electronic Services
- Forms
- Circuit Breaker
- Publications
- Motor Fuel
- Legal Research
- Related Sites
- Newsroom
- Statistics

We also provide e-mail access to employees who can help you with specific problems or questions.

If you have comments or suggestions about information we have included on our web site, please send them to us by e-mail.



Telephone assistance

Most inquiries can be answered quickly; but, some require special attention. Our telephone assistance network can provide you with the information you need.



Voice Response Unit (VRU)

Our VRU provides 24-hour, prerecorded information you can access with a touch-tone telephone. Information you can access by the VRU is identified below.

- Automated individual income tax refund and balance due information
- Automated individual income tax estimated payment, credit carryforward payment, and extension of time to pay inquiry
- Prerecorded tax information for a variety of tax types
- Information about the services we provide
- Automated form orders for Individual Income Tax, Circuit Breaker, Pharmaceutical Assistance, and SeniorCare information
- Voice mail messaging to order tax forms
- Automated Circuit Breaker Grant and Pharmaceutical Assistance card inquiries
- Prerecorded Circuit Breaker Grant, Pharmaceutical Assistance, and SeniorCare information
- Your assigned Illinois Personal Identification Number (IL-PIN)

Note → **Circuit Breaker and Pharmaceutical Assistance calls** — If you have a rotary (non-touch-tone) telephone, our voice recognition telephone system allows you to gain access to your application information (including the status of your Circuit Breaker grant or prescription coverage) by saying your Social Security number and year of birth. Our telephone limiting system allows a maximum of three calls in a seven-day period to our toll-free assistance line during business hours. If a fourth call is made during business hours in that seven-day period, a prerecorded message informs the caller that the allotted number of calls has been exceeded and that the status of the application can be checked using the automated system during nonbusiness hours. The purpose of this system is to provide better access to all individuals who need assistance.

How to Get Help

You can access the VRU 24 hours a day, 7 days a week, by dialing one of the following telephone numbers:

- 1 800 732-8866 or 217 782-3336 (Taxpayer Assistance Line)
- 1 800 356-6302 (Forms Order Line)
- 1 800 624-2459 (Circuit Breaker Grant and Pharmaceutical Assistance Line)



Taxpayer Assistance Lines

Illinois Department of Revenue employees can help you complete tax returns or answer your tax questions if you call our Taxpayer Assistance Lines 8:00 a.m. to 5:00 p.m., Monday through Friday. Dial toll-free 1 800 732-8866 (or 217 782-3336). Employees answer calls in the order in which they are received. Since the toll-free Taxpayer Assistance Lines are a popular service, sometimes it is difficult to get through. Mondays and days after holidays normally have heavy phone traffic, so try to avoid calling on those days.

When you call the Taxpayer Assistance Lines, a prerecorded message will ask you to choose a number on your touch-tone phone to indicate why you are calling and will direct your call based on the option you select.

If you call about a return you have filed, please have one of the following taxpayer identification numbers available:

- Federal employer identification number (business or withholding income tax)
- Illinois business tax number (sales and use taxes)
- Social Security number (individual income tax)
- License or Illinois business tax number (excise taxes)

If you call about a notice you have received, please have a copy of the notice available to help us determine the nature and extent of the problem. Also, please tell us your taxpayer identification number, the date the return or payment was due, any other identification numbers (e.g., bank routing numbers), and the nature of your problem or inquiry.

Note → **If you call about an excise or miscellaneous tax matter** (i.e., bingo, cigarette, charitable games, hotel, liquor, public utilities, pull tabs, and tobacco products taxes), please call our Miscellaneous Taxes Division at 217 782-6045.

Our representatives begin all conversations by identifying themselves. After you have finished the conversation, you may want to ask for the representative's name again and add it to your file for future reference.

If you want to clarify an explanation you were given, ask to speak to the representative's supervisor instead of calling another number. The supervisor may have additional resources available to help explain more technical questions. If, after you have tried this approach, you are still not satisfied with the information you received, contact the Problems Resolution Division. Its duties and functions are explained in the section titled "Special Services Available" on Page 14.

If you follow these guidelines, we can usually answer your question on the telephone. If your question requires more time for research or review, we will return your call or, if you prefer, send you a written response.



TDD

If you are hearing impaired, you can access these same services by calling our TDD (telecommunications device for the deaf) at 1 800 544-5304.



Business Hot Line

Our Business Hot Line helps meet the needs of tax professionals and business clientele (including partnerships, trusts, and estates). Representatives specialize in business, withholding, income, replacement, and sales and use taxes. They handle issues from filing requirements to specific account status information. The Business Hot Line is available by dialing 217 524-4772 Monday through Friday, 8:00 a.m. to 5:00 p.m. ***This service is reserved for business tax questions only.***

Most of your business tax questions can be resolved with one call. If your inquiry is complicated, we will research your question and guarantee a response. If we cannot resolve your problem promptly, we will tell you the name of the representative working on your account. We will also give you a specific post office box to use if you need to send us documentation or you want to send us correspondence about your problem.

While our tax specialists on the various taxpayer assistance lines are well-trained in many different aspects of taxation, they are not prepared to handle every situation that arises. Additional phone numbers are provided on Page 2.



Walk-in assistance

When you use our walk-in assistance, bring all available information, including all notices, forms (including any federal forms, if applicable), and schedules with you. Walk-in hours at our Springfield office are 8:00 a.m. to 5:00 p.m. Our Chicago office walk-in hours are 8:30 a.m. to 5:00 p.m.

You do not need an appointment to take advantage of this service; but, if you have a complex issue, please contact us before you come so that we can be prepared to give you the help you need. In Springfield, call 1 800 732-8866 or 217 782-3336. In Chicago, call 312 814-5232.

We provide the following services at our Springfield and Chicago offices:

- Cashier service and return processing for all taxes and programs we administer
 - Same-day service in getting business tax numbers and related activities
 - Help completing and filing sales tax returns
 - Motor vehicle tax return processing and tax payment (service is also provided at the three major offices of the Secretary of State in Chicago on Martin Luther King Jr. Drive, Elston Avenue, and Lexington Avenue)
 - Help completing and filing income tax returns
 - Circuit Breaker Grant and Pharmaceutical Assistance help
 - Copies of tax returns (same day service available at the Springfield office only)
 - Coin-operated Amusement Devices decals
 - International Fuel Tax Agreement (IFTA) decals
- Note:** Decals are **issued** only at the Springfield office.
- Federal identification number conditional issuance



Extended hours for individual income tax assistance

Taxpayers may receive assistance from the Illinois Department of Revenue (IDOR) at the locations, hours, and dates listed below.

Willard Ice Building — 101 West Jefferson — Springfield

Business hours: 8:00 a.m. to 5:00 p.m.

April 3 – April 10	8:30 a.m. - 12:30 p.m.	Saturdays <i>only</i>
April 5 – April 14	7:30 a.m. – 6:00 p.m.	Monday through Friday
April 15	7:30 a.m. – 7:00 p.m.	Thursday <i>only</i>

James R. Thompson Center — 100 West Randolph — Chicago

Business hours 8:30 a.m. to 5:00 p.m.

April 12 - 15 8:00 a.m. to 6:00 p.m. Monday through Thursday

For more information, contact us at the address or telephone number below.

write: TAXPAYER INFORMATION

ILLINOIS DEPARTMENT OF REVENUE

PO BOX 19001

SPRINGFIELD IL 62794-9001

call: 1 800 732-8866

How to Get Help



Office locations

In addition to the Springfield and Chicago offices, we have regional offices in Illinois and New Jersey. All of these offices provide some taxpayer services, and each maintains a supply of forms. Office hours are Monday through Friday, 8:30 a.m. to 5:00 p.m.

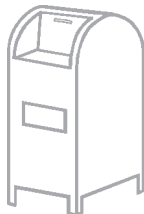
Illinois office locations

Service Locations	Telephone
204 W. College Carbondale, Illinois 62901-2808	618 529-6450
James R. Thompson Center Concourse Level 100 West Randolph Street Chicago, Illinois 60601-3274	312 814-5232
Maine North Regional Building 9511 Harrison Street FA 203 Des Plaines, Illinois 60016-1563	847 294-4200
9730 South Western Avenue Room 304 Evergreen Park, Illinois 60805-2876	708 857-2300
15 Executive Drive Suite 2 Fairview Heights, Illinois 62208-1331	618 624-6773
4711 44th Street Rock Island, Illinois 61201-7190	309 788-0149
200 South Wyman Street Rockford, Illinois 61101-1237	815 987-5210
Willard Ice Building 101 West Jefferson Street Springfield, Illinois 62702	800 732-8866 or 217 782-3336
245 West Roosevelt Road Building 4 Suite 28 West Chicago, Illinois 60185-0310	630 293-8300

Out-of-state office locations

Century Plaza 45 Eisenhower Drive Suite 2 Paramus, New Jersey 07652-1416	201 845-0255
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Help through the mail



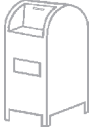
A written letter is sometimes the best way to resolve an issue. In fact, some of our notices *require* a written response. When appropriate, you will receive a written record of the outcome.

We answer all correspondence on a first-in, first-out basis, except in a case in which you may suffer irreparable harm if prompt resolution is not achieved. In that case, your inquiry will be placed before others.

It is important for your inquiry to get to the correct location as quickly as possible. All department-generated notices that require a response include an address where you should send your reply. Use that address to ensure prompt and proper handling. In addition, all required returns include a mailing address and, often, a return envelope (which may be specially coded). Use the enclosed return envelope to ensure prompt handling of your tax matter; do **not** use the return envelope for any other purpose.

When you write to us, include all pertinent information, such as the tax type, tax period, and your taxpayer identification number. When you respond to one of our notices, include a copy of the notice.

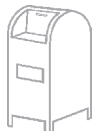
Because not all inquiries are the result of a notice, sometimes it is difficult to determine where you should send a particular question. The primary post office boxes you should use are listed on Page 11. Unless otherwise noted, these post office boxes are for our Springfield office. For the correct way to address your correspondence, see "Sample address format" on Page 12.



Primary post office box numbers

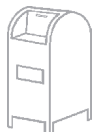
Area	PO BOX
Automobile Renting Occupation and Use Tax	19037
Bingo Tax	19019
Business Income Tax	
Adjustments	19004
Claims and refunds	19016
IL-505-B, Automatic Extension Payment (Business)	19045
IL-990-T, Exempt Organization Income and Replacement Tax Return	19009
IL-1120-ES, Estimated Income and Replacement Tax Payments for Corporations	19045
IL-1120-ST, Small Business Corporation Replacement Tax Return	19032
IL-1023-C, Composite Income and Replacement Tax Return	19009
IL-1023-CES, Composite Estimated Tax Payments for Partners and Shareholders	19009
IL-1041, Fiduciary Income and Replacement Tax Return	19009
IL-1065, Partnership Replacement Tax Return	19031
IL-1120, Corporation Income and Replacement Tax Return	19008
Central Registration Division	19030
Charitable Games Tax	19019
Cigarette Tax	19019
Circuit Breaker Property Tax Grant, Pharmaceutical Assistance, and SeniorCare Programs	
Circuit Breaker	19003
Pharmaceutical Assistance and SeniorCare (application)	19022
Pharmaceutical Assistance (correspondence and payment)	19021
Coin-operated Amusement Device and Redemption Machine Tax	19019
Collections	19035
Dry-cleaning Solvent Tax	19034
Electricity Distribution and Invested Capital Tax	
ICT-1, Electricity Distribution and Invested Capital Tax Estimated Payment	19019
ICT-4, Electricity Distribution and Invested Capital Tax Return	19019
Electricity Excise Tax	19019
Electronic Filing	19479
Electronic Funds Transfer	19015
Energy Assistance Charges	19019
Gas Tax	19019
Hotel Operators' Occupation Tax	19019
Illinois Fed-State Tax Review	19002
Individual Income Tax*	
Adjustments	19023
Claims and Refunds	19040
IL-505-I, Automatic Extension Payment (IL-1040)	19005
*For payments or returns, see "Special ZIP codes" on Page 12.	
Liquor Tax	19019
Local Government Services Office	19033
Motor Fuel Tax	
MFUT-12, Application for Motor Fuel Use Tax License and Decal	19467
MFUT-15, Motor Fuel Use Tax IFTA Quarterly Return	19027
RMFT-5, Motor Fuel Distributor/Supplier Tax Return	19019
RMFT-71, Liquefied Petroleum Gas Tax Return	19019
Pull Tabs and Jar Games Tax	19019
Replacement Vehicle Tax	19011
Sales Tax	
Adjustments and Correspondence	19041
PST-1, Prepaid Sales Tax	19034
ST-556, Sales Tax Transaction Return	19042
Taxpayer Correspondence	19044
Taxpayer Information	19001
Telecommunications Tax	19019
Telecommunications Infrastructure Maintenance Fees	19019
Tobacco Products Tax	19019
Underground Storage Tank Tax and Environmental Impact Fee	19019
Vehicle Use Tax	19011
Withholding Income Tax	
IL-501, Illinois Withholding Income Tax Payment	19447
IL-941, Illinois Quarterly Withholding Income Tax Return	19447
IL-W-3, Illinois Annual Withholding Income Tax Return	19024
VITA/TCE	19001
Voluntary Disclosure Program	19014

How to Get Help



Sample address format

To ensure that your mail is routed to the appropriate area quickly, you must use a nine-digit ZIP code. The first five digits are "62794." The last four digits are the last four digits of the post office box to which you are writing. For example, to request a copy of an informational bulletin, you would write to us at: Illinois Department of Revenue, P.O. Box 19044, Springfield, IL 62794-9044.



Special ZIP codes for Individual Income Tax payments or returns

Returns and payments for Individual Income Tax have a unique ZIP code rather than a post office box. When mailing the following returns or payments, address them to the Illinois Department of Revenue, Springfield, Illinois, and choose the appropriate ZIP code from the following list:

Form	ZIP code
Form IL-1040 without a payment	62719-0001
Form IL-1040 with a payment	62726-0001
Form IL-1040-ES, Estimated Income Tax Payments for Individuals (payment)	62736-0001
Form IL-1040-V, Payment Voucher for Individual Income Tax (payment)	62726-0001



Illinois tax forms and publications

We offer several ways by which you can request and receive forms or publications. In addition, you may develop your own forms, but only if you ask for and receive our approval to do so. (See "Alter-nate forms" on Page 13.)



Web site

You may download most Illinois forms or publications by visiting our web site at www.ILtax.com. We also provide links to other State of Illinois agencies and other states in case you need their forms.



Illinois Tax Fax

Use "Illinois Tax Fax," our automated fax-on-demand service, to receive certain forms and publications 24 hours a day by your fax machine or PC fax/modem. This service is available in the continental U.S. only. To use this service, dial 217 785-3400. The system will ask you if you want to order a document or receive an index of available documents. The following indexes are available:

- Illinois Tax Fax complete index
- 2003 Illinois Income Tax index
- 2002 Illinois Income Tax index
- 2001 Illinois Income Tax index
- Illinois Informational Bulletins and Publications index
- Sales and Use Tax and Registration index
- Miscellaneous/Excise Tax index
- Circuit Breaker/Prescription Coverage index

If you want an index, you will be asked to enter the fax number where you want the index to be sent. After you receive the index, pick the five-digit document code of the form you need, call 217 785-3400 again, and enter the document code number when prompted. The system will then ask you to enter the fax number where you want to receive the document and an identifying telephone number that will go on the cover sheet of your fax. We will then fax the form to you.



Forms Order Line

Illinois forms and publications are available by calling our 24-hour Forms Order Line at 1 800 356-6302. Our telephones are available seven days a week.



Alternate forms

You may use forms from approved software packages. Approved software packages for Illinois returns will be labeled as such by the vendor. In addition, approved forms providers are listed on our web site at www.ILtax.com.

You may develop alternate versions of our forms only if you obtain our approval *before* you use the forms you develop.

- Alternate forms must contain the same information and be in the same format as our forms.
- Alternate forms must be easily readable and produced on paper that is the same size, weight, and color as our forms.
- Tax returns printed on dot matrix printers are not acceptable.
- Approved alternate forms must contain the assigned identification number or company name of the producer.
- A form that has not been approved but is included in the release of a form product should have a notice on the form stating that it has not been approved for filing and should not be filed.
- Dollar amount fields should be followed by a decimal point and a cents field or by two zeroes, when rounded.

For more information on alternate forms, visit our web site at www.ILtax.com or contact us at the address below.

write: OFFICE OF PUBLICATIONS MANAGEMENT 2-250
ILLINOIS DEPARTMENT OF REVENUE
101 WEST JEFFERSON STREET
SPRINGFIELD IL 62702



Package X

Tax practitioners can receive many of the income tax forms and instructions by requesting our Package X. To order Package X, complete Form IDR-341, Tax Information Request. Package X can be ordered in book form or on a compact disc (CD ROM). To receive a copy of Form IDR-341, call 1 800 356-6302 or visit our web site at www.ILtax.com.



Libraries and post offices

Many libraries and post offices maintain a supply of the most common federal and state income tax forms and publications.

Paying tax on items that must be titled or registered with an Illinois agency

When you apply for a title or registration with an agency of the Illinois state government, you must file a tax return and either pay tax owed or prove that no tax is due. The following agencies process applications for title or registration and have the return that you need to file at their offices:

- Office of the Secretary of State (for cars, trucks, vans, motorcycles, ATVs, trailers, and mobile homes)
- Illinois Department of Natural Resources (for watercraft and snowmobiles)
- Illinois Department of Transportation (for aircraft)

These agencies work with us to ensure that you meet your tax obligations whenever you purchase, lease, or acquire by gift or transfer an item that must be titled or registered in Illinois. Returns have specific due dates. Therefore, you must file your return and pay any tax owed by the due date to avoid penalty and interest charges, even though you may not be able to complete your application for title or registration.

Special Services Available

General information

The section titled "How to Get Help" on Pages 7-13 describes the general services we provide. In most cases, you will use those services, but sometimes your issue or situation may need special attention. The services described in this section are designed for situations in which you may need specialized help.



Problems Resolution Division

Our Problems Resolution Division helps you resolve unusual, complex, or otherwise urgent matters. This area does *not* address routine issues. You must first try to resolve the matter using one of the methods described in the previous section. If your situation is not resolved after using one of those standard methods, contact our Problems Resolution Division.

This division

- expedites processing when unreasonable delays have occurred;
- ensures that your rights are protected; and
- gives priority treatment to time-sensitive inquiries or cases.

If division personnel find your inquiry can be handled through normal channels, it will be transferred to the appropriate area. If your inquiry is accepted, division personnel will acknowledge all correspondence and will give you the name and telephone number of the tax specialist handling your case. Because this person will be responsible for your case until it is resolved, contact this person if you have further questions.

The Problems Resolution Division addresses and telephone numbers are below.

Chicago address
PROBLEMS RESOLUTION DIVISION
ILLINOIS DEPARTMENT OF REVENUE
100 WEST RANDOLPH SUITE 7-999
CHICAGO IL 60601

312 814-2624
312 814-1402 fax

Springfield address
PROBLEMS RESOLUTION DIVISION
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19014
SPRINGFIELD IL 62794-9014

217 785-7313
217 785-2643 fax

Problems Resolution Division staff members are *not* auditors or attorneys and cannot address factual or legal issues related to tax liabilities. Such matters should be pursued through administrative appeal or protest procedures (described in the sections titled "Your protest rights," "Administrative appeal," and "Circuit Court" on Pages 32-33). For matters that require legal consideration, contact our Legal Services Office at the address or telephone number below.

write: LEGAL SERVICES OFFICE 5-500
ILLINOIS DEPARTMENT OF REVENUE
101 WEST JEFFERSON ST
SPRINGFIELD IL 62702

call: 217 782-7054



Small business workshops

The Small Business Administration schedules workshops throughout Illinois for small businesses. These workshops offer an open forum for small business owners to ask questions and receive explanations of tax laws. Speakers include representatives from the Internal Revenue Service, Illinois Department of Revenue, Social Security Administration, and Department of Employment Security. We provide information on the business registration process, withholding tax, income taxes, and occupation and use taxes.

If you have questions about the small business workshops, visit our web site at www.ILtax.com or call us at 217 782-0985 or 217 782-9678. You may also call the Internal Revenue Service at 1 800 829-1040 or the Small Business Administration at 217 492-4416.

Special Services Available



Speaker's bureau

Staff speakers are available to address many tax topics in which your group or organization may be interested. Please contact us with your request, which must be in writing. For more information or to obtain a speaker, visit our web site at www.ILtax.com or contact us at the addresses below.

write: SPEAKER'S BUREAU C-300
ILLINOIS DEPARTMENT OF REVENUE
100 WEST RANDOLPH STREET
CHICAGO IL 60601

CUSTOMER SERVICES BUREAU 3-251
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19044
SPRINGFIELD IL 62794-9044



Volunteers in tax assistance (VITA) and tax counseling for the elderly (TCE)

Employees from the Illinois Department of Revenue (IDOR) and the Internal Revenue Service (IRS) travel throughout Illinois to train volunteers about individual income tax and the Circuit Breaker program. Volunteers, in turn, prepare tax returns and Circuit Breaker applications at various sites in their respective areas.

IDOR and IRS representatives also travel to universities to help international students prepare their nonresident individual income tax returns.

For more information on these programs, visit our web site at www.ILtax.com, or contact us at the addresses or telephone numbers below.

write: VITA/TCE C-300
ILLINOIS DEPARTMENT OF REVENUE
100 WEST RANDOLPH STREET
CHICAGO IL 60601

VITA/TCE
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19044
SPRINGFIELD IL 62794-9044

call: 312 814-3215 (Chicago)

217 785-2363 (Springfield)



Electronic Filing seminars

The Illinois Department of Revenue and the Internal Revenue Service jointly sponsor free Federal/State Electronic Filing educational seminars in various locations around Illinois.

Seminars are offered for those who are just beginning to provide electronic filing services and for professionals who are currently registered in the electronic filing program. Some of the topics covered are listed below.

- New information for the upcoming processing year
- Information on the application process
- Why we provide electronic filing and who benefits from it
- Electronic payment options
- Compliance issues

For more information about these seminars, visit our web site at www.ILtax.com or call us at 217 524-4767.

Registration Requirements and Information

Business registration

You must register with us if you conduct business in Illinois, or with Illinois customers. This includes sole proprietors (individual or husband/wife), exempt organizations, or government agencies with-holding for Illinois employees.

We recommend that you contact other federal and state agencies and your units of local government (county, municipal, mass transit districts, *etc.*) to learn if you must register your business with them.

To register your business and receive your certificate of registration and Illinois Business Tax (IBT no.) number (*i.e.*, your "tax" number), you must either

- electronically register through the Illinois Business Gateway, or
- complete and mail Form REG-1, Illinois Business Registration Application, to us at the address on the form. Form REG-1 is available from our web site, by calling us at 1 800 356-6302, or at our offices.

Please allow 6 to 8 weeks for processing.

Register with us, using one of the above methods, **before** you make any sales or when you hire an employee. You must display your Certificate of Registration in a prominent location in the place of business to which it applies.

If your business is already registered and your information changes (*e.g.*, address change, ownership change, additional tax responsibilities, new location), update your registration information by calling 217 785-3707. If you do not,

- your returns and payments may not be processed correctly;
- we may send you a tax bill or notice; and
- you may not receive the forms or needed information about tax law changes.

Note → Contact us if you do not receive forms to file for your tax responsibilities.

To learn more about the registration process visit our web site at www.ILtax.com. If you prefer, you may also contact our Central Registration Division. The address and telephone number are below.

write: CENTRAL REGISTRATION DIVISION
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19030
SPRINGFIELD IL 62794-9030

call: 217 785-3707

Illinois Business Gateway Internet Registration

The Illinois Business Gateway is a fast, safe, and accurate way to register your business.

In-state businesses

The system allows you to register with us electronically. To use this system, you must have a State of Illinois Digital Identity (digital credentials) to complete your application. A valid Illinois identification card or driver's license (issued by the Illinois Secretary of State) is required to obtain digital credentials. If you do not have a State of Illinois Digital Identity, you may use the link on our web site to register for one. If you choose not to receive digital credentials, you cannot register your business on-line and will need to file a paper Form REG-1.

Out-of-state businesses

When you register with us electronically, the system will guide you on how to do so, including obtaining any digital credentials that may be required.

Registration Requirements and Information

You may register for the following taxes through the Illinois Business Gateway:

- Automobile Renting Occupation and Use Tax
- Business Income Tax
- Cigarette and Cigarette Use Taxes
- Electricity Distribution and Invested Capital Tax
- Electricity Excise Tax
- Gas and Gas Use Tax
- Hotel Operator's Occupation Tax
- Liquor Warehouser Tax
- Motor Fuel Tax
- Qualified Solid Waste Energy Facility Payments
- Sales, use, and related taxes
- Telecommunications Tax
- Tobacco Products Tax
- Withholding Tax

Note: Certain tax types may have additional registration or bonding requirements. Further information follows at the bottom of this page and on Page 18.

If you provided all of the information necessary for us to process your application, you may access the system again in 24 to 48 hours to obtain your IBT number. If we require additional information for your particular registration, we will contact you.

Selling or purchasing a business

You (or the purchaser or the transferee) must complete Form CBS-1, Notice of Sale or Purchase of Business Assets, and attach a copy of the sales contract and financing agreement, if, outside your usual course of business, you sell or transfer the major part of

- the stock of goods that you are in the business of selling,
- the furniture or fixtures,
- the machinery and equipment, or
- the real property of your business.

If you need additional information, contact us at the address or telephone numbers below.

write: BULK SALES UNIT

ILLINOIS DEPARTMENT OF REVENUE
100 WEST RANDOLPH LEVEL 7-400
CHICAGO IL 60601

call: 312 814-3063
312 793-3841 (fax)

Separate registration requirements

You may need to complete additional registration forms if your business is engaged in any of the activities shown below.

- Coin-operated amusement devices (COADs) — Your business owns COADs that do not dispense merchandise. (See "Coin-operated Amusement Device and Redemption Machine Tax" on Page 69.)
- Electronic Data Interchange (EDI) — Your business' participation is voluntary. (See Page 18.)
- Electronic Filing (Individual Income Tax)— Your business' participation is voluntary. (See Page 18.)
- Electronic Filing (excise taxes)— Your business' participation may be mandatory; you may also participate voluntarily. (See Page 19.)
- Electronic Funds Transfer (EFT) of your tax payments — Your business' participation is either mandatory or voluntary. (See Page 20.)
- Interstate motor carrier — Your business operates commercial motor vehicles in or through Illinois. (See "Motor Fuel Use Tax" on Page 58.)
- Liquor — Your business manufactures or is an importing distributor of liquor. (See "Liquor Gallonage Tax" on Page 45.)

Registration Requirements and Information

Separate bonding requirements

In addition to registering your business, Illinois laws require that certain businesses post a bond for the following excise or miscellaneous taxes:

- Cigarette and Cigarette Use Taxes (See Page 39.)
- Liquor Gallonage Tax (See Page 45.)
- Motor Fuel and Motor Fuel Use Taxes (See Page 58.)
- Tobacco Products Tax (See Page 48.)
- Underground Storage Tank Tax (See Page 59.)

If the type of business that you are conducting requires you to post a bond, you should contact our Miscellaneous Taxes Division. The address and telephone number are below.

write: MISCELLANEOUS TAXES DIVISION
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19477
SPRINGFIELD IL 62794-9477

call: 217 782-7610

Separate registration for Electronic Data Interchange (EDI)

EDI is the electronic exchange of business documents (e.g., purchase orders, invoices, forms, tax filings, acknowledgments) from one company's computer to another's computer in machine-processable, national standard data formats. This direct computer-to-computer exchange alleviates the expense associated with processing paper as well as the costs, errors, and time delays associated with data entry.

The department's EDI program is voluntary and only Form ST-1, Sales and Use Tax Return, and Form ST-2, Multiple Site attachment, can be filed electronically. Participants include taxpayers who are required to file Form ST-1; trading partners that are formatting EDI interchanges; transmitters who are transmitting directly to our communications processor; and software developers supporting EDI.

All participants must register with us to participate in this program by completing and signing Form EDI-1, Registration for Electronic Data Interchange. In addition, those not enrolled in our Electronic Funds Transfer (EFT) program currently must also submit a completed and signed Form EFT-1, Authorization Agreement for Electronic Funds Transfer. We will inform you of your acceptance in our program and the procedures you must follow before filing Form ST-1 using this method.

For more information about this program, visit our web site at www.ILtax.com or write us or call our Springfield office weekdays between 8:30 a.m. and 5:00 p.m.

write: OFFICE OF ELECTRONIC FILING 2-249
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19015
SPRINGFIELD IL 62794-9015

call: 217 524-4767

Separate registration for Electronic Filing Programs

Individual Income Tax

Any business that wants to participate voluntarily in the Illinois Form IL-1040 Electronic Filing Program must register with us first by completing and signing Form IL-8633, Application to File Illinois Income Tax Returns Electronically. This application is for both independent and federal/state electronic filing methods. New registrants should complete and file Form IL-8633 by December 1.

Participation in the Illinois program is based on acceptance into the Internal Revenue Service program and compliance with the provisions of Booklet IL-1345, Illinois Department of Revenue Electronic Return Procedures.

Note → We cannot process your Form IL-8633 unless you provide your current electronic filer identification number (EFIN), and if applicable, your electronic transmitter identification number (ETIN) assigned by the Internal Revenue Service. In addition, you must attach a copy of your business' IRS acceptance letter (Letter 2461-SC) to your completed Form IL-8633.

Registration Requirements and Information

Participants are described below.

- Electronic return originators (EROs) who prepare or collect prepared tax returns and complete Form IL-8453, Illinois Individual Income Tax Electronic Filing Declaration
- Intermediate service providers who process return information received from EROs or individual taxpayers who use on-line electronic filing software, either purchased commercially or available on an Internet site
- Transmitters who provide transmission services directly to the department for the independent method or to the IRS for the federal/state method for either EROs or for individual taxpayers who use electronic filing software that is purchased commercially or available on an Internet site
- Software developers who develop electronic return formatting software or transmission software

For information about this program, visit our web site at www.ILtax.com or write us or call our Springfield office weekdays between 8:30 a.m. and 5:00 p.m.

write: CENTRAL REGISTRATION DIVISION
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19030
SPRINGFIELD IL 62794-9030

call: 217 524-4767 (general information)
217 785-5739 (application information)

Excise Taxes

Effective January 1, 2003, we have implemented an electronic filing program for Cigarette and Cigarette Use Tax returns, Liquor Gallonage Tax returns, and Telecommunications Tax returns. Some taxpayers are required to file their returns electronically; we also accept voluntary participants. We will notify you if you are required to file electronically.

Two methods of electronic submission are offered — direct transmission and by 3.5" diskette. With the direct transmission method, electronic returns and schedules are transmitted by dial-up telephone lines (modem to modem) directly to computers at our office in Springfield, Illinois. With the diskette method, electronic returns and schedules are submitted on 3.5" diskettes.

Electronic filers can perform all of the functions themselves associated with this electronic filing program, or they can use services of another accepted electronic filer (third party) to participate in the electronic filing program. Participants are described below.

- A taxpayer who prepares the electronic return or other document and transmits it directly or otherwise provides it to IDOR using software developed by the taxpayer or a commercial software provider
- A taxpayer who uses the services of a service group or other third party to prepare the electronic return or other document and transmits it or otherwise provides it to IDOR
- A third party transmitter who takes prepared returns from taxpayers or service groups and transmits them to IDOR directly
- A service group or other third party who prepares electronic returns or other documents and transmits them to IDOR directly
- A software developer who develops software to
 - format return information to conform with IDOR specifications; and/or
 - transmit to IDOR directly or provide electronic returns to IDOR

To participate in this program, you must be properly registered for electronic filing and, in some instances, electronic funds transfer. To register, complete and sign Form EF-1, Enrollment for Electronic Filing Program. Taxpayers who use service groups, other third parties, or other agents to electronically file returns or schedules under this program remain responsible for their own registration.

For more information, visit our web site at www.ILtax.com or contact our Miscellaneous Taxes Division at the address below.

write: MISCELLANEOUS TAXES DIVISION
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19039
SPRINGFIELD IL 62794-9039

call: 217 782-6045

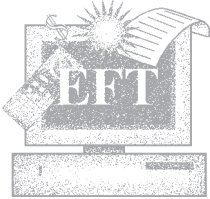
Registration Requirements and Information

Separate Registration for Electronic Funds Transfer Program (EFT)

EFT is an electronic payment method that you use to pay certain tax liabilities. Instead of writing a check for the amount of tax due, you instruct your financial institution to transfer the funds from your account to ours. We then apply the transferred amount to your tax liability.

EFT is **not** a way to file your return electronically — only a change in the way you make your tax payment. The fact that you make payments by EFT **does not** eliminate your requirement to file your tax forms timely.

For most taxes, you **must** participate in the EFT program if your average annual tax liability meets or exceeds an annual statutory threshold of \$200,000. If your combined average monthly liability is \$1,000 or more for the immediate preceding calendar year under the Telecommunications Tax Act, you must make **all** return payments by EFT.



We will notify you by August 1 if you must make your payments by EFT. All participants in the EFT program must complete and sign Form EFT-1, Authorization Agreement for Electronic Funds Transfer, even if a designated agent electronically transfers your tax payments for you. Service groups or other agents may submit Form EFT-1 on behalf of taxpayers who have executed a valid Form IL-2848-E, Power of Attorney for Electronic Processing, authorizing those service groups or other agents to complete the authorization agreements and to make tax payments by EFT on behalf of those taxpayers. These service groups or other agents must keep Form IL-2848-E in their books and records.

After we receive your completed and properly signed Form EFT-1, we will give you instructions to follow to make your payments by EFT.

Note → Taxes paid under the Motor Fuel Tax Law or the Environmental Impact Fee Law are exempt from EFT requirements.

You **may** participate in the EFT program voluntarily, but only if you complete Form EFT-1, Electronic Funds Authorization Agreement, and you receive our approval. Allow 60 days for us to process your request. If we approve your request, we will give you instructions to follow to make your payments by EFT. You must participate in the program for the next twelve months. You may not alternate payment methods (*i.e.*, use EFT one month and send a check payment the next). We may revoke your voluntary participation status if you do not pay your tax by EFT or do not make an EFT payment by the due date.

Note → Mandatory participation in our EFT program begins October 1 and continues for the next twelve months. Voluntary participation begins after we approve your request and continues for the next twelve months.

If you have specific questions about Electronic Funds Transfer, visit our web site at www.ILtax.com or write us or call our Springfield office weekdays between 7:45 a.m. and 4:15 p.m.

write: ELECTRONIC FUNDS TRANSFER DIVISION
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19015
SPRINGFIELD IL 62794-9015

call: 217 782-6257

Registration Requirements

Separate Registration for Household Employers

If you are a household employer, you must withhold Illinois Income Tax from your employee's compensation and register with us as an Illinois withholding agent. You are an employer of a household employee if you

- employ a person who does household work in or around your home,
- control what work is done, and
- control how the work is done (*e.g.*, provide the necessary equipment, supplies, or tools to do the job).

If the worker controls how the work is done, the worker is **not** your employee. This person usually provides his or her own tools and offers services to the general public as an independent business. If an agency provides the worker and controls what work is done and how it is done, the worker is **not** your employee.

Note → We define a household employee the same as the Internal Revenue Service defines a “domestic service employee.” See the Internal Revenue Code, Section 3510, for more information. Examples of a “household employee” include a babysitter, caretaker, cleaning person, driver, health aide, housekeeper, nanny, private nurse, or yard worker.

You have the option to pay the tax you withhold from that employee's compensation (separately from any other employees) once a year. If you choose this method, you must complete Form REG-1-H, Request for Household Employer's Information. Otherwise, you must register as an Illinois withholding agent by completing Form REG-1, Illinois Business Registration.

Alternate Filing, Refund, and Payment Methods



Individual Income Tax (Form IL-1040) alternate filing methods

Our alternate filing methods allow you to file your Form IL-1040, Individual Income Tax Return, using more technologically advanced methods than filing a normal “paper” return. Generally, returns filed using these methods have few or no errors. In addition, refunds are issued more quickly.

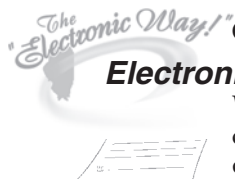
The benefits of filing your return electronically are listed below.

- Returns are more accurate because we edit them for errors before we accept them.
- Accepted returns are confirmed or acknowledged, which is your proof of filing.
- Electronic returns receive priority processing at the department and at the Office of the Comptroller.
- Direct deposit refunds are issued in about 1 week.

You may **not** use an alternate filing method if any of the following statements apply:

- You are a fiscal year filer.
- You are filing for a previous year.
- You are claiming subtractions on Line 9 other than interest on obligations of Illinois state and local governments, expenses related to federal credits or federally tax-exempt investments, contributions to the “Bright Start” program, or state income tax refunds.
- You are claiming a credit for tax paid to a state on Line 19 of Form IL-1040, and you are not a full-year Illinois resident or you paid tax to any state other than Missouri, Indiana, Iowa, Kentucky, Michigan, or Wisconsin and their local taxing jurisdictions (*i.e.*, city, county).
- You are claiming a credit on Schedule 1299-C.
- You choose to figure your penalties on Form IL-2210, Computation of Penalties for Individuals, based on annualized income or you are 65 years of age or older and are permanently living in a nursing home.

You will need an Illinois Personal Identification Number (IL-PIN) if you choose to file electronically using the I-File or PC File methods. If you receive a booklet in the mail, your IL-PIN is the first 8-digit number above your name on the preprinted Form IL-1040 in the booklet. If you are filing jointly, your spouse’s IL-PIN is the second 8-digit number. If you receive a postcard in the mail, your IL-PIN is the first 8-digit number printed above your name on the postcard. If you are filing jointly, your spouse’s IL-PIN is the second 8-digit number. If you do not have an IL-PIN and have filed with us within the last two years, you may see if one has been assigned to you by visiting www.ILtax.com or calling 1 800 732-8866 or 217 782-3336. Our TDD (telecommunications device for the deaf) number is 1 800 544-5304.



Our alternate filing methods are described below.

Electronic Filing (e-File)

When you e-File your Form IL-1040, you file your return with the department over telephone lines via computer. Your return information is transmitted directly from your tax professional’s computer to the department’s computer.

We also participate in the Internal Revenue Service (IRS) Federal/State Electronic Filing Program. Rather than transmit returns directly to the department, the tax professional transmits your federal and Illinois tax returns to the IRS. The IRS then makes your Illinois return available for us to electronically retrieve and process.

We review each return to make sure that it is accurate and complete and acknowledge that the return has been either accepted or rejected. If accepted, the information will be processed. If rejected, we will identify the specific errors and inform the electronic transmitter.

You may use this electronic filing method if you use the services of an approved electronic return originator (ERO), whether you have your return prepared by a tax professional or prepare your own return. See Page 25 for the qualifications you must meet to file your return electronically.

All taxpayers who file by e-File must sign Form IL-8453, Illinois Income Tax Electronic Filing Declaration. In addition, the following forms, if applicable, must be attached to the front of Form IL-8453:

- W-2, Wage and Tax Statement forms
- W-2G, Certain Gambling Winnings forms
- 1099-R, Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, *etc.*

Required supporting documentation for Form IL-1040 line entries for additions or subtractions must be attached to the back of Form IL-8453 (*e.g.*, Line 19 — attach all out-of-state tax returns; filing on behalf of a deceased taxpayer — attach Form IL-1310, Statement of Person Claiming Refund Due to a Deceased Taxpayer).

Alternate Filing, Refund, and Payment Methods

If you owe tax, you have three options to pay the amount you owe. You may pay by electronic funds withdrawal (electronic payment taken from your checking or savings account); credit card (MasterCard, Discover card, American Express card, or VISA card), or check or money order. If you choose to pay by check or money order, your tax professional will give you Form IL-1040-V, Payment Voucher for Individual Income Tax. (See Page 28 for electronic payment methods.)



Federal/State TeleFile



The IRS and the Illinois Department of Revenue developed a **free** TeleFile program that allows you to file your Illinois income tax return and your federal income tax return at the same time. The TeleFile program is an interactive system that uses a recorded script to help you file both your simple federal and Illinois income tax returns in one telephone call using a touch-tone telephone. You must have a federal Customer Service Number (CSN) which is located in your federal TeleFile tax package to use this method. You enter the data from your federal TeleFile Tax Record, and your Illinois TeleFile Tax Record using the numbers on your telephone keypad.

The system calculates your return and tells you, for both federal and Illinois returns, if you are due a refund of overpaid tax or you have a balance due. In order to TeleFile your Illinois return, you must also TeleFile your federal return during the same telephone call. You will receive a federal confirmation number at the end of each successful filing. If you hang up before you receive your federal confirmation number, you may call back later. If you hang up during the state portion of the call you cannot call back to file your Illinois return. You will have to use another electronic filing method.

Note → Although the system will allow you to correct entries, you cannot make changes after you receive a confirmation number. If you realize that you made a mistake after you receive your confirmation number, you must correct it by filing a paper Form IL-1040-X, Amended Individual Income Tax Return.

Please be sure that you qualify before you place your call. (See Page 25.)

If you owe state tax, you have three options to pay the amount you owe. You may pay by electronic funds withdrawal (electronic payment taken from your checking or savings account) during your TeleFile phone call; credit card (MasterCard, Discover card, American Express card, or VISA card), or check or money order. If you choose to pay by check or money order, use the TeleFile Voucher included in your 2003 Illinois TeleFile Tax Package. (See Page 28 for electronic payment methods.)



I-File

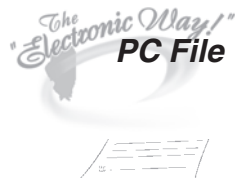


Our Internet Filing program is free and allows you to file your Form IL-1040 using the Internet. Follow the instructions on the I-File screens (www.ILtax.com) and enter your income tax information. I-File will calculate your return and tell you if you are due a refund of overpaid tax or if you have a balance due. You will also have the option to directly deposit your refund into your checking or savings account or have the amount of tax due automatically withdrawn from your checking or savings account during your filing. At the end of your successful filing, you will be provided with a confirmation number, which is your proof of filing. You must have an Illinois Personal Identification number (IL-PIN) to use this method. Please be sure you qualify to use this method. (See Page 25.)

If you receive a booklet in the mail, your IL-PIN is the first 8-digit number above your name on the preprinted Form IL-1040 in the booklet. If you are filing jointly, your spouse's IL-PIN is the second 8-digit number. If you receive a postcard in the mail, your IL-PIN is the first 8-digit number printed above your name on the postcard. If you are filing jointly, your spouse's IL-PIN is the second 8-digit number. If you do not have an IL-PIN and have filed with us within the last two years, you may see if one has been assigned to you by visiting www.ILtax.com or calling 1 800 732-8866 or 217 782-3336. Our TDD (telecommunications device for the deaf) number is 1 800 544-5304.

If you owe tax, you have three options to pay the amount you owe. You may pay by electronic funds withdrawal (electronic payment taken from your checking or savings account) during your Internet filing application; credit card (MasterCard, Discover card, American Express card, or VISA card), or check or money order. If you choose to pay by check or money order, you will have the option to print Form IL-1040-V, Payment Voucher for Individual Income Tax, from our Internet filing site. (See Page 28 for electronic payment methods.)

Alternate Filing, Refund, and Payment Methods



PC tax filing software allows you to file on the Internet using your personal computer through a third party electronic filing intermediate service provider. You can obtain PC tax filing software either "off the shelf" or through the Internet. Written instructions will guide you through your filing. You will enter your income tax information and the software will calculate your return and tell you if you are due a refund of overpaid tax or if you have a balance due. You will also have the option to directly deposit your refund into your checking or savings account during your PC filing. The department provides a confirmation number for the successful filing of each PC filed return, which is your proof of filing. You must have an Illinois Personal Identification Number (IL-PIN) to use this method. Please be sure that you qualify to use this method. (See Page 25.)

If you receive a booklet in the mail, your IL-PIN is the first 8-digit number above your name on the preprinted Form IL-1040 in the booklet. If you are filing jointly, your spouse's IL-PIN is the second 8-digit number. If you receive a postcard in the mail, your IL-PIN is the first 8-digit number printed above your name on the postcard. If you are filing jointly, your spouse's IL-PIN is the second 8-digit number. If you do not have an IL-PIN and have filed with us within the last two years, you may see if one has been assigned to you by visiting www.ILtax.com or calling 1 800 732-8866 or 217 782-3336. Our TDD (telecommunications device for the deaf) number is 1 800 544-5304.

If you owe tax, you have three options to pay the amount you owe. You may pay by electronic funds withdrawal (electronic payment taken from your checking or savings account); credit card (MasterCard, Discover card, American Express card, or VISA card), or check or money order. If you choose to pay by check or money order, your PC tax filing software package should give you the option to print Form IL-1040-V, Payment Voucher for Individual Income Tax. (See Page 28 for electronic payment methods.)

Alternate Filing, Refund, and Payment Methods

Qualifications for 2003 Form IL-1040 Alternate Filing Methods

“No” means that you cannot use a filing option if the statement applies.

Note: Each taxpayer (and spouse, if filing jointly) **must** have an IL-PIN to use the Internet, and PC tax filing software filing methods, and a federal CSN to use the Federal/State TeleFile method.

Step 1: Personal Information		Electronic	TeleFile	I-File	PC
Fiscal year filer		No	No	No	No
Filing return for a previous year		No	No	No	No
Name different than last year		Yes	No	No	Yes
Address different than last year		Yes	Yes ¹	Yes	Yes
Filing status has changed from last year		Yes	No	No	Yes
Filing for a deceased taxpayer		Yes	No	No	No
Step 2: Income					
Line 1	Negative adjusted gross income	Yes	No	Yes	Yes
Line 2	Federally tax-exempt interest and dividend income	Yes	No	Yes	Yes
Line 3	Other additions	Yes	No	Yes	Yes
Step 3: Base Income					
Line 5	Social Security and retirement income	Yes	No	Yes	Yes
Line 6	Military pay	Yes	No	Yes	Yes
Line 7	Illinois Income Tax Refund	Yes	No	Yes	Yes
Line 8	U.S. Treasury bonds, bills, notes, savings bonds, and U.S. agency interest	Yes	No	Yes	Yes
Line 9	Other subtractions	Yes ²	No	Yes ²	Yes ²
	1299-C Box	No	No	No	No
Step 4: Exemptions					
Line 12c	65 or older	Yes	No	Yes	Yes
Line 12d	Legally blind	Yes	No	Yes	Yes
Step 5: Net Income					
Line 14	Non-resident and part-year resident	Yes	No	No	Yes
Step 7: Payments and Credits					
Line 17	More than 10 W-2 forms	Yes	No	Yes	Yes
Line 18	Estimated payments (Form IL-1040-ES, Form IL-505-I, credit carryforward from 2001 return)	Yes	No	Yes	Yes
Line 19	Credit for tax paid to another state (Schedule CR)	Yes ³	No	No	Yes ³
Line 20	Property Tax Credit (PT Worksheet)	Yes	Yes	Yes	Yes
Line 21	Education Expenses (Schedule ED)	Yes	No	Yes	Yes
Line 22	Earned Income Credit (EIC Worksheet)	Yes	Yes	Yes	Yes
	Qualifying child box	Yes	Yes	Yes	Yes
Line 23	Schedule 1299-C credits	No	No	No	No
Step 9: Penalty					
Line 27	Late-payment penalty for underpayment of estimated tax	Yes	No	No	Yes
	a Annualized income on IL-2210; over 65 and permanently living in a nursing home	No	No	No	No
	b At least $\frac{2}{3}$ of federal gross income from farming	Yes	No	Yes	Yes
Step 10: Donations					
Line 28	Voluntary contributions	Yes	Yes	Yes	Yes
Step 11: Refund or Amount You Owe					
Line 31	Amount applied to 2004 estimated tax	Yes	No	Yes	Yes
Line 32	Refund	Yes	Yes	Yes	Yes
Line 33	Direct deposit option	Yes	Yes	Yes	Yes
Line 34	Payment due	Yes	Yes	Yes	Yes
	Electronic Funds Withdrawal Option	Yes	Yes	Yes	No

1 Only if a paper refund is **not** requested.

2 Only interest on obligations of Illinois state and local governments, expenses related to federal tax credits or federally tax-exempt investments, contributions to the “Bright Start” program, and state income tax refunds.

3 Only full-year Illinois resident taxpayers claiming a credit from Missouri, Indiana, Iowa, Kentucky, Michigan, or Wisconsin and their local taxing jurisdictions (*i.e.*, city, county)

Alternate Filing, Refund, and Payment Methods

Sales Tax (Form ST-1) alternate filing methods

Our alternative filing methods for Form ST-1, Sales and Use Tax Return, allow you to file your return using more technologically advanced methods than filing a normal “paper” return. Generally, returns filed by these methods have few or no errors.

ST-1 TeleFile Program

The department’s Sales Tax TeleFile program allows retailers to file their sales tax returns by telephone. Three out of five taxpayers are eligible to participate in this program. Those selected have relatively simple returns (with entries on only six lines) and conduct business at a single location. Participants are mailed instructions and a Personal Identification Number that serves as an electronic signature for the TeleFiled return.

Taxpayers enter information using the telephone keypad and the system

- does the math, eliminating arithmetic mistakes;
- calculates the retailer’s discount for returns filed on time, but only if the taxpayer wants the discount; and
- provides a confirmation number at the end of each successful telephone call that the taxpayer can keep as proof of filing.

In addition, TeleFile allows taxpayers to pay their Form ST-1 balance due during the filing call, provided they are already registered in our Electronic Funds Transfer Program.

For more information regarding this program, call 1 800 732-8866 or contact us by e-mail at sttelefile@revenue.state.il.us.

ST-1 Electronic Data Interchange (EDI) Program

Our EDI program is voluntary and only Form ST-1, Sales and Use Tax Return, and Form ST-2, Multiple Site attachment, can be filed electronically. Participants include:

- taxpayers who are required to file Form ST-1,
- trading partners that are formatting EDI interchanges,
- transmitters who are transmitting directly to our communications processor, and
- software developers supporting EDI.

If you are interested in participating in this program, see Page 18.

Excise taxes alternate filing methods

Cigarette and Cigarette Use Taxes

You must file electronically or on 3.5” diskette if you have 30 or more transactions per month. We will notify you if you must file your returns electronically. You may also participate voluntarily.

We accept the following forms and schedules:

- Form RC-6, Cigarette Revenue Return, and supporting schedules from licensed in-state distributors
- Form RC-6-A, Out-of-State Cigarette Revenue Return and supporting schedules from licensed out-state distributors
- Schedule CM, Sales of Cigarettes into Illinois by Manufacturers or Importers, from manufacturers and importers.

For more information, see RC-750, Electronic Filing - Cigarette Returns.

Liquor Gallonage Tax

Participation in the Liquor Revenue Return electronic filing program is voluntary. All required return payments must be remitted by electronic funds transfer. Importing distributors, manufacturers, brew pubs, railroads, and airlines who transmit their returns and supporting schedules electronically and remit payment by electronic funds transfer by the due date will receive a 1.75 percent discount, up to a maximum of \$1,250 per month. Taxpayers who submit their return and schedules data on approved magnetic media (3.5” diskette) will **not** receive the discount.

We accept the following forms and schedules:

- Form RL-26, Liquor Revenue Return, supporting schedules, and payments from importing distributors, manufacturers, brew pubs, and railroads
- Form RL-26, Liquor Revenue Return and supporting schedules from foreign importers
- Form RL-26-A, Liquor Airline Revenue Return, supporting schedules, and payments from airlines
- Schedule L, Out-of-state Sellers’ Shipment Report, from nonresident dealers.

For more information, see RL-750, Electronic Filing - Liquor Returns.

Alternate Filing, Refund, and Payment Methods



Telecommunications Tax

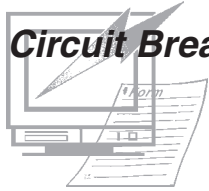
You must file your return electronically by electronic data transfer (modem to modem) if your combined average monthly liability for the immediate preceeding calendar year under the Telecommunications Tax Act was \$1,000 or more. Mandatory electronic filers may not file their returns on 3.5" diskettes. You may also participate in this program voluntarily.

All required return payments must be remitted by electronic funds transfer.

We accept the following forms and schedules:

- Form RT-2, Telecommunications Tax Return
- Form RT-2-M, Telecommunications Tax Schedule

For more information, see RT-750, Electronic Filing - Telecommunication Returns.



Circuit Breaker (Form IL-1363) alternate filing methods

Internet filing is a quick and easy way to file your Form IL-1363, Circuit Breaker Application. We can process applications filed over the Internet faster than those we receive in the mail. You may file your Form IL-1363 using the Internet from February 4, 2004, through December 31, 2004, at www.ILtax.com. You may file your Form IL-1363 using the Internet if

- you filed Form IL-1363 last year and were approved;
- your marital status did not change; and
- you are not required to send any attachments including, Schedules A, B, or P.

If you do not meet all of these requirements, you **cannot** use the Internet to file your Form IL-1363. **Please do not mail a copy of your completed Internet-filed Form IL-1363.**

Note → There are no alternate payment methods for Form IL-1363 and you cannot pay when you file the form. You must pay by check or money order when you are billed.



Alternate refund and payment methods

Direct deposit (Form IL-1040)

The department, in conjunction with the Office of the Comptroller, offers direct deposit of refunds for overpaid individual income tax. Instead of receiving a refund check by mail, your overpayment is electronically transferred to your financial institution and deposited directly into your checking or savings account. The Office of the Comptroller handles these transfers.

The authorization for direct deposit is voluntary and must be renewed each year. We do not guarantee a specific timeframe by which a refund will be deposited directly into your account; however, you should receive it in about 1 week if you file using one of our alternative filing methods. If you file a paper return, the direct deposit of your refund will be made after we process your return (approximately 8 to 10 weeks).

If you want to use this option, the account specified to receive the direct deposit must be

- in your name;
- a checking, share draft, savings, or other consumer asset account;
- held by a financial institution within the United States; and
- established primarily for personal, family, or household purposes.

Note → If you want your refund deposited into your savings account, you must contact your financial institution for your routing and account numbers.

You may **not** ask that your refund be deposited directly into your credit card account.

You may split your overpayment and have part of it applied to next year's estimated tax and the remainder either refunded by check or deposited directly into your financial institution account. However, you cannot split your overpayment between a refund check and a direct deposit.

Note → Some financial institutions do not permit the deposit of a joint refund into an individual account. We are not responsible for a financial institution's refusal to accept a direct deposit for this reason. If necessary, verify the financial institution's policy before you choose this option.

Alternate Filing, Refund, and Payment Methods



Paying tax by electronic funds withdrawal (Form IL-1040, IL-1040-ES, and IL-505-I)

"Electronic Funds Withdrawal" is an electronic payment that is taken from your checking or savings account. If you choose this method, visit our web site at www.Iltax.com. You will need

- your Illinois Personal Identification Number (IL-PIN);
- your routing number (the number must be nine digits and the first two digits must be 01 through 12 or 21 through 32);
- your account number (up to 17 digits); and
- to indicate if you want your debit from your checking or savings account.

Warning: Some credit unions do not allow electronic funds withdrawal from a savings account. Please check with your financial institution.



Paying tax by credit card (Form IL-1040, IL-1040-ES, and IL-505-I)

You may use your VISA, MasterCard, Discover, or American Express credit card to pay the following liabilities:

- From January 15, 2004, to December 16, 2004, tax owed for the tax year ending December 31, 2003 on Form IL-1040, Illinois Individual Income Tax Return
- Beginning January 15, 2004, to April 30, 2004, automatic extension tax payments for the tax year ending December 31, 2003 (normally paid using Form IL-505-I, Automatic Extension Payment for Individuals)
- Beginning March 1, 2004, Form IL-1040-ES, Estimated Income Tax Payments for Individuals, for the tax year ending December 31, 2004
- From January 1, 2004, to December 31, 2004, any individual income tax prior-year Form IL-1040 return payments

If you want to pay the tax you owe using your credit card, call **1 800 2PAYTAX** (1 800 272-9829). You will be asked to enter a **Jurisdiction Code**, which is **2300**. You may also make credit card payments at the Official Payments web site at www.officialpayments.com.

Note → The credit card service provider assesses an additional convenience fee that will be charged to your credit card account.



Paying tax by Electronic Funds Transfer (EFT)

EFT is an electronic payment method that you use to pay your tax liabilities. Instead of writing a check for the amount of tax due, you instruct your financial institution to transfer the funds from your account to ours. We then apply the transferred amount to your liability.

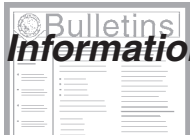
For most taxes, you **must** participate in the EFT program if your average annual tax liability meets or exceeds an annual statutory threshold of \$200,000. We will notify you by August 1 if you must make your payments by EFT. If you are interested in paying your tax by this method voluntarily, you must complete Form EFT-1, Electronic Funds Transfer Agreement. For more information, see Page 20.



Check by Phone

If you receive a notice from one of our collection enforcement programs (described on Pages 35-36), you may pay your delinquency using our "Check by Phone" method. You tell us your check number, account number, and bank routing number, and we prepare a "check" to submit to your financial institution. Your payment, in most cases, will be posted to your account with us the same day and will prevent additional interest from accruing on the portion paid. To use this payment option, call the number at the bottom of the notice that you receive.

Receiving Updated Tax Information



Informational bulletins

Whenever there are changes in the law or our procedures, we send informational bulletins to those who are affected by these changes. These bulletins have no binding effect on us and may not be cited as authority for positions you take on particular issues. If you are a tax practitioner who has completed Form IDR-341, Tax Information Request, we will send you all bulletins for the tax types that match your specified interests. If you are a taxpayer, we will send you bulletins that relate to your particular tax obligations, which are determined by the tax types for which you are registered.

All informational bulletins are available on our web site at www.ILtax.com. If you do not have access to our web site and would like a copy of any informational bulletin, please write or call us at the address or telephone numbers below.

write: ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19044
SPRINGFIELD IL 62794-9044

call: Forms Order Line at 1 800 356-6302
Illinois Tax Fax at 1 217 785-3400



Administrative rules

We have adopted administrative rules on the various tax acts we administer and enforce. We have also adopted rules on other related subjects such as how to obtain a letter ruling, rules used in administrative hearings, and the Board of Appeals rules. Rules are statements of general applicability that implement, apply, interpret, or prescribe law or policy. Rules are adopted through the formal rule-making process mandated by the Illinois Administrative Procedure Act.

You may obtain copies of any departmental rule from us. Free copies of administrative rules are available on our web site at www.ILtax.com. If you do not have access to our web site, copies of individual rules are provided at no cost. If you request a complete set of rules for a particular tax, we will request payment of a small fee to defray our photocopying costs. For example, we charge \$6.50 for the Retailers' Occupation Tax Act rules.

Send your requests and payment to us at the address below.

write: ADMINISTRATIVE RULES REQUEST
OFFICE OF LEGAL SERVICES 5-500
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19014
SPRINGFIELD IL 62794-9014

call: 217 782-7054



Letter rulings

Our Office of Legal Services issues private letter rulings in response to specific taxpayer inquiries about the application of a tax statute or rule to a particular situation. You will be protected in court proceedings only if our opinion is in writing and issued specifically to you. You may not rely on verbal opinions from our employees.

We issue general information letters in response to written inquiries from you; business, trade, and industrial associations; or similar groups. General information letters contain basic discussions of tax principles or applications and do not constitute statements of agency policy that apply, interpret, or prescribe tax laws we administer. You may not rely upon these letters when taking positions with reference to tax issues. In addition, general information letters do not create any rights for you under the Taxpayers' Bill of Rights Act.

Free copies of general information letters and private letter rulings are available on our web site at www.ILtax.com. If you do not have access to our web site, copies of general information letters and private letter rulings may be purchased for a minimum of \$1.00 for the first page of an opinion plus \$.50 for each additional page.

Indexes of income tax letter rulings for 1990 through 2003 are available for \$3.00 each. You may purchase a cumulative Income Tax Sunshine Index of 1981 through 1989 letter rulings for \$4.00.

Indexes of sales tax letter rulings for 1981 through 2003 are available for \$3.00 each.

Receiving Updated Tax Information

Send your requests and payment, made payable to "Illinois Department of Revenue," to us at the address below.

write: OFFICE OF LEGAL SERVICES 5-500
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19014
SPRINGFIELD IL 62794-9014

call: 217 782-6996



Illinois statutes or proposed amendments

Our web site has a link to the Illinois General Assembly's home page. You can research specific statutes, proposed amendments, or new enactments at that site, free of charge.

Your Rights When a Liability Is Owed

General information

As an Illinois taxpayer, you are entitled to understand your rights and responsibilities under the law, and we are responsible for helping you understand those rights. We strive to make sure your rights are protected so you will comply with the laws voluntarily and have the highest degree of confidence in our state tax system. Information presented in this section should help you pursue your rights at each step of the tax administration process.

Your responsibility to file tax returns and pay taxes

You must

- provide complete and accurate information when you file your tax returns;
- pay your taxes when they are due; and
- pay the correct amount of tax that is due legally.

Note → See Pages 39-77 for a list of taxes and programs and their accompanying forms, filing frequencies, and due dates. **All due dates are adjusted to the next business day if the due date falls on a weekend or state holiday.**

Sometimes, there may be a disagreement about the correct amount of tax you owe, the correct method of figuring your tax, or the correct interpretation of the law. In these cases, you have the right to appeal our actions.

We do not start collection activity until you have had a chance to pay or respond to our notices. Therefore, respond promptly to our attempts to contact you. If you do not respond to a notice, we have no choice but to proceed with collection actions.

Penalty cancellation

If we charge you a penalty but you believe you have **reasonable cause** for not complying with the tax laws, you may request a penalty cancellation. Reasonable cause may exist when you show that you used prudence and good business care and were still unable to meet the requirements for filing your return and paying the amount owed on time. Some examples of reasonable cause are listed below.

- You or your tax practitioner were seriously ill.
- Your home or place of business was destroyed.
- You were not able to obtain necessary records.
- You had an unavoidable absence.
- You inadvertently mailed your state tax return and payment to the Internal Revenue Service.

If you believe reasonable cause existed, write to us at the address on the notice you receive and provide a detailed explanation of your circumstances and any documentation that supports your position. We will consider your request and will respond in writing. If you have any questions, call us at the telephone number listed on the notice.

Payment plans

If you have a financial hardship and cannot pay the full amount of tax due when you file your return or receive a tax bill, you may ask to make payments through a payment installment plan. However, you will be charged interest and applicable penalties on the tax not paid timely, even if your request to pay in installments is granted. To limit the interest and penalty charges, you should pay as much of the tax as possible when you file your return. Please note that financial hardship should not be confused with financial inconvenience.

To request a payment plan, complete Form CPP-1, Payment Installment Plan Request. You may also be required to complete either Form EG-13-B, Financial and Other Information Statement for Businesses, or Form EG-13-I, Financial and Other Information Statement for Individuals. All of these forms are available on our web site at www.ILtax.com. If you prefer, you may write to "Pay Plan Unit, Illinois Department of Revenue, P.O. Box 19035, Springfield, Illinois 62794-9035."

Your Rights When a Liability Is Owed

Your protest rights

In certain instances, you have the right to file a written protest if you disagree with us. The written protest must be filed within certain time frames and you may request a hearing. You must specifically state that you are filing a protest and requesting a hearing. Your protest rights will be explained on any protestable notice that we send you.

- **If you do not agree with an audit or notice**, you generally have 60 days from the date a notice of tax liability or a notice of deficiency is served to file a written protest with us. Interest will continue to accrue on the deficiency while a protest is pending. If you do not file a protest to a department notice in the specified time frame, you will not be allowed a hearing, the assessment will become final, and we will begin collection activity.
- **If we deny a claim for credit or refund**, you must file a written protest within 60 days or, in the case of income taxes, you may file a written protest and request a hearing if six months have expired since the claim was filed without a notice of denial being issued. Interest will accrue on the overpayment while a protest is pending. If you do not protest the denial of a claim on time, you will not be allowed a hearing. Except for income tax accounts, you may not file a claim for credit or refund if the amount claimed was assessed by a notice of tax liability that became or was allowed to become a final assessment.

Administrative hearing

An administrative hearing is a *quasi-judicial* proceeding. In other words, all phases of hearing and preliminary activities will be presided over by an administrative law judge and handled like matters in circuit court.

The administrative rules that govern department administrative hearings are located in 86 Ill. Adm. Code, Part 200. A summary of the administrative hearing rules is provided below. Please consult the formal rules for complete details so that you are fully aware of your rights and responsibilities concerning a hearing. To receive a copy of the complete rules, contact the administrative clerk at the hearing location identified on the notice we send you.

- 1 Taxpayers may represent themselves or be represented by attorneys who are licensed to practice in Illinois. All attorneys must file a power of attorney prior to the hearing.
- 2 All notices will be personally served or sent by certified mail prior to a scheduled hearing.
- 3 If the taxpayer does not appear for any set matter, the taxpayer will be found in default.
- 4 The evidence and conduct of hearings shall be similar to that in court proceedings. Rules of evidence, as used in the civil courts of this state, will be observed.
- 5 Requests for continuance of any set matter must be in writing and filed no later than 48 hours prior to the date set for the proceeding. Any request or motion that does not meet these requirements will not be considered unless of an emergency nature.
- 6 Any party may engage in motion practice before the Administrative Hearings Division and employ any motion normally brought in a circuit court proceeding.
- 7 Once a power of attorney has been filed, taxpayer representatives cannot withdraw from representation without the presiding administrative law judge's approval.
- 8 To become part of the official record, all papers, documents and other matters that are not otherwise admitted into evidence in a hearing proceeding, must be appropriately captioned and filed with the administrative clerk.
- 9 Taxpayers or their representatives may move to disqualify the administrative law judge assigned to the case for reasons of demonstrable conflict or bias.

After the hearing, a recommendation will be submitted to the director. Upon the director's acceptance, you or your representative will receive notice of the final administrative decision. If the determination is against you, you may file a complaint with the circuit court within 35 days of the date the decision was mailed or personally served on you.

If you request and are granted an administrative hearing, it will be held at one of the following locations:

James R. Thompson Center
100 West Randolph Street
Level 7, Room 314
Chicago, Illinois 60601

Willard Ice Building
101 West Jefferson Street
Springfield, Illinois 62702

Your Rights When a Liability Is Owed

Circuit court

If you want to forego an administrative hearing and you have not filed a protest and request for an administrative hearing as described above, you may pay the full amount accompanied by a notice of protest in the form provided by the Illinois Compiled Statutes, 30 ILCS 230/2a.1. Your notice must express your intention to file a complaint in circuit court and obtain an injunction within 30 days of the date of the protested payment to preserve your right to a refund. If your notice does not comply with the statutory form or if you do not file a complaint and obtain an injunction on time, you forego your right to a court-ordered refund of the money paid under protest.

Board of Appeals

The Board of Appeals makes sure that we have treated you fairly and provides you relief when appropriate. The board is comprised of three members appointed by the director of the Department of Revenue who have the authority, in conjunction with the director, to

- waive penalties and interest based on reasonable cause, and
- reduce a tax liability if it is likely the full debt cannot be collected.

The Board of Appeals is **not** an appeals court. It does not have the authority to redetermine your final liability or to review administrative hearings or court decisions.

You may petition the Board of Appeals for relief after your liability has become final (*i.e.*, all administrative hearings and court proceedings to review the assessment have ended or the time for taking such action has expired).

To seek relief from the board, you must complete Form BOA-1, Board of Appeals Petition, and state why you believe relief is warranted. As part of your petition, you may request a hearing. Hearings are conducted by a hearing officer or board member. Hearings give you an opportunity to provide additional information and reasons why the relief requested in your petition is appropriate. However, a hearing is not required. The board will rule on the written petition without a hearing should you so choose.

If you file a petition, the board will ask us to provide information and a recommendation about your request. The board then reviews the case and holds a hearing (if requested) and determines whether relief is warranted.

For relief to be granted, at least two of the three board members must agree that some form of relief is appropriate. A petition is denied if there is no agreement. When there is agreement, the board gives its recommendation to the director for approval. If the director approves the board's recommendation, the board issues an order granting the approved relief. Decisions by the Board of Appeals are final and cannot be appealed.

The Board of Appeals may also review other departmental controversies. Such reviews may take place only after the board unanimously agrees that action by the board is the most efficient and expeditious manner of resolving the controversy or by order of the director. Departmental controversies include cases that are currently pending in our Office of Administrative Hearings or in the courts in which both the department and you have requested the board to take jurisdiction and review the matter.

If you have any questions or need Board of Appeals forms, visit our web site at www.ILtax.com or contact us at the address or telephone number below.

write: BOARD OF APPEALS 7-500
ILLINOIS DEPARTMENT OF REVENUE
100 WEST RANDOLPH ST
CHICAGO IL 60601-3274

call: 312 814-3004

Your Rights When a Liability Is Owed

Voluntary disclosure program

Our voluntary disclosure program seeks to bring nonfilers into compliance with tax laws and is directed at taxpayers who have **never** filed tax returns for a particular tax. You do **not** qualify for the program if you have under-reported or underpaid your taxes or have filed a return for the tax for any period previously. This program is designed to benefit taxpayers who voluntarily come forward after discovering that they should have registered to collect and pay tax or should have filed a return to pay tax.

The program is administered by the Board of Appeals and provides the following benefits to those who voluntarily come forward to disclose a tax owed:

- The statute of limitations shortens the assessment period to four years.
- No civil fraud penalties are imposed.
- We will not recommend criminal prosecution.
- You may petition the Board of Appeals for relief from penalties and interest.

The program applies to all taxes we administer, except those enabled by the following legislation:

- Racing Privilege Tax Act
- Property Tax Code
- Coin-operated Amusement Device and Redemption Machine Tax Act

You must follow a four-step process to benefit from the voluntary disclosure program.

Step 1: File Form BOA-2, Application for Voluntary Disclosure, with the Board of Appeals. Once we have certified that you have not filed returns for this tax previously and that we have not initiated an audit or a criminal investigation, the board will accept the application and notify you, generally within 60 days of the date you filed your application.

Step 2: Within 30 days of being notified that the application for voluntary disclosure has been accepted, you must file tax returns for the past four years and pay all tax, penalties, and interest, except penalties or interest for which you decide to seek relief from the Board of Appeals.

Step 3: If you ask for relief from any penalties or interest owed, you must file a petition (Form BOA-1) with the Board of Appeals at the same time you file the tax returns.

Step 4: You must then comply with the board's decision as to whether you owe penalties or interest.

If you have questions or need forms, please contact us at the address or telephone number below.

write: OFFICE PROGRAMS DIVISION 3-335
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19014
SPRINGFIELD IL 62794-9014

call: 217 524-4772

The Collection Process

First bill

If you do not pay the full amount of tax due when you file your return, we will send you a bill. If you make an error, we will correct it and send you a notice showing our proposed changes and any amount due. If you owe past-due tax, we will charge you penalty and interest.

The first bill we send you will contain a detailed breakdown of the tax, penalty, and interest you owe, an explanation of why you owe this amount, and an explanation of your rights and obligations during the collection process. If you do not pay the full amount due by the date in the notice, we will continue collection activity. If you need further explanation, do not understand any part of the bill, or you believe that we have made an error, call us at the telephone number on your bill.

Statute of limitations

No statute of limitations exists for assessing a liability in cases of fraud or failure to file returns (except for a non-filed use tax return, which has a six-year statute of limitations). Once a liability has been deemed assessed or finalized, the statute of limitations to use enforcement collection action varies from 2 years to 20 years or longer depending on when one or more of the following actions occurred:

- A lien was filed against your property.
- A judgment was entered by the Attorney General.
- Personal penalty assessments were issued against any responsible persons involved during incurrence of business debt.
- Certain other enforcement actions were used.

Collection actions we may take

If we have notified you of unpaid past-due tax or returns that have not been filed, we are authorized by law to attempt to collect the debt. If necessary, we may place a lien on your property, seize personal property (such as an automobile or business assets), levy against your property (by garnishing wages or levying against your bank accounts), stop the issuance or renewal of a business license, and use collection agencies or other collection methods.

Liens

We may file a lien at any time or take other action to collect a past-due tax debt. Filing a lien will have a negative impact on your credit rating. If we file a lien on your real estate or personal property, in most cases you cannot sell or transfer your property until you pay your past-due amount. You will also be responsible for paying any applicable filing and release fees associated with the lien before the department will release the lien. This lien is enforceable for 20 years. If we issue a lien in error, we will issue a release.

Seizure

We have the authority to seize your real estate and personal property (such as automobiles and business assets) in order to collect past due tax, penalty, and interest. However, we will notify you of the amount you owe at least 10 days before we seize your property. Most seized property cannot be sold for at least 20 days (perishable items may be sold within 24 hours).

Levies

We have the authority to levy against your wages and your assets.

Wages — We may levy against your wages, salaries, bonuses, and commissions. Your employer must deduct up to 15 percent of the gross amount to pay your past due tax. We will notify you of the amount you owe at least 10 days before we send a wage levy to your employer. A wage levy can remain effective until your tax liability is paid. We will send your employer instructions that outline the responsibility to send funds from your paycheck to us. Your employer must continue to withhold the additional amount until we release the levy.

Assets — We may levy against your bank accounts, requiring the bank to hold for 20 days all monies in your account up to the total past due tax, penalty, and interest. After 20 days, the bank will forward these monies to us. This type of levy can also apply to other assets, including certificates of deposit, interest or dividends from an insurance policy, contractual payments, interest on bonds, and rental money due to you. We will notify you of the amount you owe at least 10 days before we send a levy.

The Collection Process

Revoke your business or professional license

If you owe past-due tax and have a business or professional license, we may notify you and the appropriate licensing authority to stop the issuance or renewal of your business or professional license.

Hold you personally liable for business taxes

We have the authority to assess the tax, penalty, and interest owed by a business against its officers or others responsible for filing and paying sales and withholding taxes. If you are found personally liable, you have 60 days from the date of the notice to protest the tax, penalty, and interest assessment.

Revoke your sales tax permit

If your business collects sales tax and makes sales tax payments to the Illinois state government, you must have a valid sales tax permit. We may request a hearing to revoke your sales tax permit if you owe the Illinois state government past-due sales tax or have not filed your sales tax returns.

We will notify you that an administrative law judge will hold a revocation hearing and that you may be present to explain your position. If the judge issues an order revoking your permit, you must stop making taxable sales in Illinois until we reissue a valid permit. If you make retail sales in Illinois after we revoke your permit and you have not been issued a new permit, you may be charged with a Class A misdemeanor.

Liquor license revocation or nonrenewal

If you are a liquor retailer and are past due in filing or paying your state sales or other business taxes, we will refer you to the Illinois Liquor Control Commission. Your liquor license may be revoked or not renewed if your taxes and assessments are not paid in full. Once you have paid the past-due tax, we will recommend that your license be reinstated or renewed. Wholesalers, manufacturers, or brewers cannot legally sell or deliver any product to liquor retailers who do not have a valid liquor license.

Refer your account to a collection agency

We contract with collection agencies to help us collect the amount of tax, penalty, and interest that you owe. If we send your account to one of these agencies, you will become responsible for collection agency fees in addition to the tax, penalty, and interest that you already owe.

Other actions

- Corporations who owe past-due taxes may not have their corporate charters renewed.
- Lottery licenses can be revoked or not renewed for nonpayment of taxes.
- The Comptroller's Office may offset any money that the Illinois state government owes you and apply that amount to your delinquent tax liability.
- We may ask the Internal Revenue Service to pay your federal income tax refund to us.
- Your name may appear on our delinquent taxpayer list that is published on our web site.
- We may ask the Secretary of State to not renew your dealer's license.
- We may apply your (or your spouse's) credit or refund to another tax liability.

The Audit Process

General information

You have the right to fair and equitable treatment if your account has been selected for audit. Since the audit function is to determine whether the correct amount of tax has been reported, we are as willing to acknowledge tax overpayments or errors on our part as we are to recognize underpayments. We may ask you to provide additional information to verify amounts shown on your returns. You have the right to know why we are asking for information, how that information will be used, and what will happen if you do not furnish the information.

Changes due to an audit

If we propose any changes at the conclusion of an audit, we will explain the reasons for the changes verbally and will provide you a written explanation as well. Make sure you understand the reasons for any proposed changes; ask about anything that is unclear to you.

We will send you a Notice of Proposed Liability, Notice of Proposed Deficiency, or Notice of Claim Denial that

- states the specific reasons for the proposed assessment or claim denial; and
- informs you of your right to an informal review or in-person conference with members or representatives of the Informal Conference Board (ICB) if you do not agree with the audit.

Informal Conference Board (ICB)

The informal conference process is the first step to resolve a tax dispute with the department. This informal review process gives you an opportunity to resolve disagreements with the department after a liability is proposed or claim denial is issued but before the formal protest and administrative hearing process begins.

Written request required

You have 60 days after the Notice of Proposed Liability, Notice of Proposed Deficiency, or Notice of Proposed Claim Denial is issued to file a written request with the ICB to review the proposed assessment or claim denial. To make your written request, you must complete and submit Form ICB-1, Request for Informal Conference Board Review.

You (or your authorized representative) must sign and date the request. Your authorized representative must attach a properly executed Form IL-2848, Power of Attorney.

Your request must state the specific reasons for disagreeing with the proposed assessment or claim denial and show why the department's proposed tax calculation is incorrect. This request should reference any information upon which you will rely.

In-person conferences

You may request an in-person conference with members or representatives of the ICB. An in-person conference allows the ICB members or representatives and you (or your representative) to explore the issues raised by the proposed assessment or proposed claim denial, develop the factual basis of the request, and to consider other relevant information. If you want an in-person conference, you must make this request in Step 4 on Form ICB-1.

The ICB may also request an in-person conference. If you do not agree to an in-person conference, your request for relief may be denied because the ICB does not have sufficient information to consider your request.

An in-person conference will be scheduled 45 days after your request is received whenever possible and will be established by mutual consent between you (or your representative) and the ICB members or staff representatives conducting the conference. The ICB will mail a written notice of the date, time, and location of the in-person conference to you (or your representative). If you (or your representative) do not attend the scheduled conference, you waive your right to an in-person conference unless you can show good cause for not attending.

Tax dispute settlements

You may submit a formal request to settle the tax dispute as part of your written request by completing Form ICB-2, Offer of Disposition of a Proposed Assessment or Claim Denial. The ICB will notify you of their decision in writing. If a tentative agreement is reached, the ICB staff will prepare a written agreement that specifies the terms of the proposed disposition. Two of the three ICB members must agree to the terms for the dispute to be settled.

Note → The ICB does not accept or negotiate offers in compromise based on your inability to pay the amount you owe. Offers in compromise should be directed to the department's Board of Appeals after a final assessment is issued. (See Page 33).

What to expect during the conference

The ICB members or representatives will review the basis for the proposed assessment or claim denial during the conference. You may present documents or additional information to support your position. In addition, the ICB members or representatives may request additional information from you. You must respond to the request within 30 days of the date of the request. If you do not, your request may be denied.

Note → The 30-day time period to respond may be extended if both you (or your representative) and the ICB representative agree to an extension.

Documentation or information submitted to the ICB in writing or as part of an informal conference does not become part of any formal record and cannot be forwarded to any other administrative or judicial body for purposes of that body making a determination on the merits of any case. Both you and the department must present all evidence directly to those bodies under the rules of that body if they want that evidence to be considered.

Final determination and Action Decision

The ICB determines whether or not the amount of the proposed assessment or claim denial is accurate. After all information is considered, the ICB will issue an Action Decision. The Action Decision must be issued within 90 days after your request is received and 2 of the 3 members of the ICB must approve the document. The Action Decision is binding on the department and must be implemented by those areas of the department to which it is directed. You (and your representative) will be given a written notice of the Action Decision. The 90-day period may be extended by mutual agreement of both you and the department, in writing, before the 90-day period expires.

Regulations regarding the Informal Conference Board are located in 86 Illinois Administrative Code, Part 215. These regulations are available on our web site at www.ILtax.com.

Your protest rights

If you do not agree with the audit, you have 60 days from the date a notice of tax liability, notice of deficiency, or notice of claim denial is issued to file a written protest and request a hearing with us. Interest will continue to accrue on the deficiency or overpayment while a protest is pending. For more information, see "Your protest rights," "Administrative hearing," and "Circuit court" on Pages 32-33.

Excise and Utilities Taxes

Cigarette and Cigarette Use Taxes

Statutory References

Cigarette Tax, 35 ILCS 130/1 to 130/30; Cigarette Use Tax, 35 ILCS 135/1 to 135/37

Definition — The Cigarette Tax Act imposes a tax on the occupation of selling cigarettes at retail. Licensed distributors prepay the tax through the purchase of stamps, which are affixed (either heat-transferred or hand-applied) to each cigarette package. The distributor collects the tax from the retailer at or before the time of sale. The retailer passes the tax on to the consumer in the cigarette sale price.

The Cigarette Use Tax Act imposes a tax on the privilege of using cigarettes in Illinois. This act duplicates the provisions of the Cigarette Tax Act.

Note → Tobacco products other than cigarettes are also taxed. (See “Tobacco Products Tax” on Page 48.)

Tax rate

The rate for both Cigarette Tax and Cigarette Use Tax is 49 mills per cigarette or 98 cents per package of 20 cigarettes.

Allowable deductions

- sales out-of-state;
- cigarettes returned to manufacturers;
- cigarettes lost through fire, theft, *etc.*, if the loss is supported by proper documentation;
- sales of cigarettes to residents incarcerated in penal institutions and to resident patients of state-operated mental health facilities that have been manufactured as part of a correctional industries program;
- sales to U.S. military personnel through officially recognized agencies physically located at military bases; and
- direct sales to U.S. veteran’s hospitals.

Additional Registration, License fee, and bonding requirements

In addition to filing Form REG-1, Illinois Business Registration Application, you must pay a \$250 fee and post a \$2,500 bond annually for each location.

Form IDR-169, Application for Cigarette Transporter Permit, must be completed if unstamped cigarettes will be

- purchased as a sale for resale in a state other than Illinois,
- transported through Illinois but not sold in Illinois, and
- delivered to another state.

These cigarettes cannot be returned to Illinois.

Local taxes

Both home rule and non-home rule municipalities may impose a cigarette tax. However, a home rule municipality cannot enact a new cigarette tax after July 1, 1993, nor can an existing cigarette tax be levied if the home rule government imposes a municipal sales tax. The Department of Revenue does not collect locally imposed cigarette taxes.

Filing requirements

Returns

- The in-state distributors return, Form RC-6, Cigarette Revenue Return, is due monthly on the 15th day of the month following the end of the reporting period.
- The out-of-state distributors return, Form RC-6-A, Out-of-state Cigarette Revenue Return, is due monthly on the 15th day of the month following the end of the reporting period.

A taxpayer who has 30 or more transactions per month must file electronically or on magnetic media. For more information see the Electronic Filing - Cigarette Returns booklet.

Excise and Utilities Taxes

Dry-cleaning Solvent Tax and License Fees

Statutory reference

415 ILCS 135/60 to 135/70

Definition

The tax is imposed on the use of dry-cleaning solvent by persons who operate dry-cleaning facilities in Illinois. License fees are imposed on those who operate dry-cleaning facilities. The Dry-cleaner Environmental Response Trust Fund Council issues the licenses.

Allowable deductions

Sales of dry-cleaning solvent to the following facilities are exempt from the tax:

- A facility located on a United States military base
- An industrial laundry, a commercial laundry, or a linen supply facility
- A prison or other penal institution that dry-cleans only as part of a correctional industries program to provide dry-cleaning to persons who are incarcerated in a prison or a penal institution or to resident patients of a state-operated mental health facility
- A not-for-profit hospital or other health care facility
- A facility presently or formerly located on federal or state government property
- A facility that will not use the dry-cleaning solvent in a dry-cleaning operation

Tax rate

Effective 1/1/04

- The tax rate on chlorine-based solvents is \$10.00 per gallon of solvent purchased.
- The tax rate on petroleum-based solvents is \$2.00 per gallon of solvent purchased.
- The tax rate on green solvents is \$1.75 per gallon of solvent purchased.



The Dry-cleaner Environmental Response Trust Fund Council determines the tax rate annually.

License fees

License fees are based on the amount and type of dry-cleaning solvent used annually by a dry-cleaning facility operator and are determined annually by the Dry-cleaner Environmental Response Trust Fund Council. Proof of license fee payment is required to receive a dry-cleaning license from the Dry-cleaning Trust Fund Council.

- \$500 for a facility that purchases
 - 150 gallons or less of chlorine-based or green solvents annually, or
 - 750 gallons or less of petroleum-based solvent used in a machine equipped with a solvent reclaimer purchased annually, or
 - 1500 gallons or less of petroleum-based solvent used in a machine without a solvent reclaimer purchased annually
- \$1,000 for a facility that purchases
 - more than 150 gallons but less than 351 gallons of chlorine-based or green solvents annually, or
 - more than 750 gallons but less than 1751 gallons of petroleum-based solvent used in a machine without a solvent reclaimer purchased annually, or
 - more than 1,500 gallons but less than 3,501 gallons of petroleum-based solvent used in a machine without a solvent reclaimer purchaser annually
- \$1,500 for a facility that purchases
 - 351 gallons or more of chlorine-based or green solvents annually, or
 - 1751 gallons or more of petroleum-based solvent used in a machine equipped with a solvent reclaimer purchased annually, or
 - 3,501 gallons or more of petroleum-based solvent used in a machine without a solvent reclaimer purchased annually

Filing requirements

Return — Form DS-1, Dry-cleaning Solvent Tax Return, is due on or before April 25, July 25, October 25, and January 25.

License — Form DS-3, Dry-cleaning Operators' License Fee Payment Form, is due annually on or before December 31 for the following license year.

Excise and Utilities Taxes

Electricity Excise Tax

Statutory reference

35 ILCS 640/2-1 to 99

Definition

The tax is imposed on persons distributing, supplying, furnishing, or selling electricity in Illinois for use and consumption (not for resale).

Allowable deductions

The following sales of electricity are exempt from tax:

- Sales for resale
- Sales in interstate commerce
- Sales to businesses certified by the Illinois Department of Commerce and Community Affairs and located in an enterprise zone
- Sales to the federal government
- Sales to municipal corporations owning and operating a local transportation system for public service in Illinois

Utilities are also allowed a tax credit when they are required to purchase electricity produced from methane gas that is generated from landfills.

Tax rate

Each month, **municipal systems** and **electric cooperatives** collect tax from each purchaser an amount equal to the lesser of 5 percent or \$.0032 per kilowatt-hour (kwh) per customer. Delivering suppliers collect the following tax amounts from each purchaser monthly:

- \$.0033 per kilowatt-hours (kwhs) for the first 2,000 kwhs
- \$.00319 per kwh for the next 48,000 kwhs
- \$.00303 per kwh for the next 50,000 kwhs
- \$.00297 per kwh for the next 400,000 kwhs
- \$.00286 per kwh for the next 500,000 kwhs
- \$.00270 per kwh for the next 2 million kwhs
- \$.00254 per kwh for the next 2 million kwhs
- \$.00233 per kwh for the next 5 million kwhs
- \$.00207 per kwh for the next 10 million kwhs
- \$.00202 per kwh for all kwhs in excess of 20 million kwhs

Self-assessing purchasers pay 5.1 percent of the purchase price for all electricity distributed, supplied, furnished, sold, transmitted, and delivered to them in a month.

Local taxes

Municipalities may impose a tax on persons purchasing electricity for use or consumption (and not for resale) within the corporate limits of the municipality. Taxes are collected based on a schedule of maximum rates calculated on a monthly basis for each purchaser. This schedule of rates is found in the Illinois Municipal Code. The Department of Revenue does **not** collect these locally imposed taxes.

Filing requirements

Return — Form RPU-13, Electricity Excise Tax Return, is filed monthly, quarterly, or annually, based on the taxpayer's average monthly liability. The department determines how often a return must be filed.

- A monthly return is due on or before the 15th day of the month following the month for which the return is filed.
- A quarterly return is due on or before the last day of the month following the quarter for which the return is filed. An annual return is due on or before January 31 of the year following the year for which the return is filed.

Quarter-monthly payments — Companies that have an average monthly liability of \$10,000 or more must send quarter-monthly payments. Payments are due on the 7th, 15th, 22nd, and the last day of the month. Taxpayers who mail their quarter-monthly remittances to the department must complete Form RPU-50, Public Utilities Quarter-Monthly Payment - Electricity, Gas, Telecommunications Excise Tax. Do not send Form RPU-50 if you remit your payment by EFT.

A taxpayer that had annual liability of \$200,000 or more in the preceding calendar year must remit any tax payment by EFT.

Excise and Utilities Taxes

Electricity Distribution Tax and Invested Capital Taxes (*Electricity Invested Capital Tax, Gas Invested Capital Tax, Water Company Invested Capital Tax*) _____

Statutory Reference

35 ILCS 620/2a.1

Definitions

Electricity Distribution Tax is imposed on electric utilities or alternative retail electric suppliers who

- distribute electricity for use or consumption (not for resale); and
- are not electric cooperatives, school districts, or units of local government.

Invested Capital Taxes are imposed on

- electric cooperatives that are required to file reports with the Rural Utilities Service;
- persons engaged in the business of distributing, supplying, furnishing, or selling natural gas who are subject to the Gas Tax; and
- water companies subject to taxes imposed by the Illinois Income Tax Act.

Tax rates

Electricity Distribution Tax — The tax rate is based on the kilowatt-hours (kwhs) distributed at the following monthly rates:

- \$0.00031 for the first 500 million kwhs
- \$0.0005 for the next 1 billion kwhs
- \$0.0007 for the next 2.5 billion kwhs
- \$0.0014 for the next 4 billion kwhs
- \$0.0018 for the next 7 billion kwhs
- \$0.00142 for the next 3 billion kwhs
- \$0.00131 for all kwhs distributed in excess of 18 billion kwhs

Invested Capital Tax — The tax rate is 0.8 percent of invested capital.

Allowable deductions

Electricity Distribution Tax — None

Invested Capital Tax — Investments in, and advances to, all corporations.

Filing requirements

Return — Form ICT-4, Electricity Distribution and Invested Capital Tax Return, is due March 15 following the end of the reporting year.

Estimated payments — Payments are due on March 15, June 15, September 15, and December 15. Taxpayers who mail their estimated payments to the department must complete Form ICT-1, Electricity Distribution and Invested Capital Estimated Payment. Do not send Form ICT-1 if you remit your payment by EFT.

A taxpayer that had annual liability of \$200,000 or more in the preceding calendar year must remit any tax payment by EFT.

Energy Assistance Charges (*electricity and natural gas distributors*) _____

Statutory References

Energy Assistance Charge, 305 ILCS 20/13; Renewable Energy Resources and Coal Technology Development Assistance Charge, 20 ILCS 687/6-5

Definition

The energy charges are amounts that a public utility, a municipal utility, a cooperative, or an alternative retail electric supplier collects monthly from each of its customers for electric or natural gas services delivered by the utility, cooperative, or supplier.

Gas Cooperatives and Municipal Gas Utilities must collect and remit the Energy Assistance and Renewable Energy charges to the department. Electric Cooperatives and Municipal Electric Utilities may choose to collect and remit the Energy Assistance and Renewable Energy charges but must notify the department in writing.

Excise and Utilities Taxes

Tax rate

The rates that are imposed for each of the energy charges depend on the type of customer and the customer's electric or natural gas usage during the past calendar year. The monthly rates for the **Energy Assistance Charge** are listed below.

- \$0.40 per account to which residential electric service is delivered
- \$0.40 per account to which residential gas service is delivered
- \$4.00 per account to which nonresidential electric service is delivered and which had less than 10 megawatts of peak demand during the previous calendar year
- \$4.00 per account to which nonresidential gas service is delivered and which received less than 4 million therms of gas during the previous calendar year
- \$300 per account to which nonresidential electric service is delivered and which had 10 megawatts or more of peak demand during the previous calendar year
- \$300 per account to which nonresidential gas service is delivered and which received 4 million therms or more of gas during the previous calendar year

The monthly rates for the **Renewable Energy Charge** are listed below.

- \$0.05 per account to which residential electric service is delivered
- \$0.05 per account to which residential gas service is delivered
- \$0.50 per account to which nonresidential electric service is delivered and that had less than 10 megawatts of peak demand during the previous calendar year
- \$0.50 per account to which nonresidential gas service is delivered and that received less than 4 million therms of gas during the previous calendar year
- \$37.50 per account to which nonresidential electric service is delivered and that had 10 megawatts or more of peak demand during the previous calendar year
- \$37.50 per account to which nonresidential natural gas service is delivered and that received 4 million therms or more of gas during the previous calendar year

Filing requirements

Electricity distributor's return — Form RPU-6, Assistance Charges Return for Electricity Distributors, is due on or before the 20th day of each month following the month for which the return is filed.

Natural gas distributor's return — Form RG-6, Assistance Charges Return for Natural Gas Distributors, is due on or before the 20th day of each month following the month for which the return is filed.

Gas and Gas Use Tax

Statutory reference

Gas Tax, 35 ILCS 615/1 to 615/15; Gas Use Tax, 35 ILCS 173/5

Definition

The Gas Tax Act is imposed on persons who distribute, supply, furnish, or sell natural gas for use or consumption (not for resale). Propane gas is taxed under this act providing it is delivered by pipeline to the consumer. The Gas Use Tax Act is imposed on persons who purchase natural gas from outside of Illinois for their own use (not for resale) and elect to become a self assessor.

Tax rate

The rate either is 5 percent of gross receipts, or 2.4 cents (\$0.024) per therm, whichever is less.

Allowable deductions

The following sales of natural gas are exempt from tax:

- Sales for resale
- Sales in interstate commerce
- Sales to businesses certified by the Illinois Department of Commerce and Community Affairs and located in an enterprise zone
- Sales to the federal government
- Sales to customers who had previously contracted with an out-of-state supplier on or before March 1, 1995

Local taxes

Municipalities may impose a tax on persons engaged in the business of distributing, supplying, furnishing, or selling natural gas for use or consumption (and not for resale) within the corporate limits of the municipality. The rate cannot exceed 5 percent of gross receipts (8 percent in cities with populations greater than 500,000). The Department of Revenue does not collect these locally imposed taxes.

Excise and Utilities Taxes

Additional registration requirements

If you are a self-assessor, in addition to filing Form REG-1, Illinois Business Registration Application, you must file Form REG-10, Gas Use Tax Self-Assessing Purchaser Application.

Filing requirements

Return — Form RG-1, Gas Tax Return, is filed monthly, quarterly, or annually, based on the taxpayer's average monthly liability. The department determines how often a return must be filed.

- A monthly return is due on or before the 15th day of the month following the month for which the return is filed.
- A quarterly return is due on or before the last day of the month following the quarter for which the return is filed.
- An annual return is due on or before January 31 of the year following the year for which the return is filed.

Quarter-monthly payments — Companies that have an average monthly liability of \$10,000 or more must send quarter-monthly payments. Payments are due on the 7th, 15th, 22nd, and the last day of the month. Taxpayers who mail their quarter-monthly remittances to the department must complete Form RPU-50, Public Utilities Quarter-Monthly Payment - Electricity, Gas, Telecommunications Excise Tax. Do not send Form RPU-50 if you remit your payment by EFT.

A taxpayer that had annual liability of \$200,000 or more in the preceding calendar year must remit any tax payment by EFT.

Hotel Operators' Occupation Tax

Statutory reference

35 ILCS 145/1 to 145/10

Definition

The tax is imposed on the occupation of renting, leasing, or letting rooms to persons for living quarters for periods of less than 30 days.

Tax rate

The rate is 6 percent of 94 percent of the gross receipts from renting, leasing, or letting rooms for periods of less than 30 days.

Allowable deductions

- Receipts from permanent guests—those who occupy, or have the right to occupy, a room or rooms for at least 30 consecutive days
- Receipts from foreign diplomats (via federal treaty)
- Meeting rooms, display rooms, sample rooms, offices, and private dining rooms

Local taxes

The department collects the following locally imposed hotel taxes:

- Illinois Sports Facilities Authority Hotel Operators' Occupation Tax
- Metropolitan Pier and Exposition Authority (MPEA) Hotel Operators' Occupation Tax
- Municipal Hotel Operators' Occupation Tax (Chicago)

Other municipalities, counties, and home rule units may also impose hotel taxes, which the Department of Revenue does **not** collect.

Filing requirements

Form RHM-1, Hotel Operators' Occupation Tax Return, is filed monthly or annually, based on the taxpayer's average monthly liability. The department determines how often a return must be filed.

- A monthly return is due on or before the last day of the month following the month for which the return is filed.
- An annual return is due on or before January 31 of the year following the year for which the return is filed.
- A taxpayer that had annual liability of \$200,000 or more in the preceding calendar year must remit any tax payment by EFT.

Excise and Utilities Taxes

Liquor Gallonage Tax

Statutory reference

235 ILCS 5/8-1 to 5/8-14

Definition

The tax is imposed on businesses that are manufacturers or importing distributors of liquor.

Tax rate

The tax rates are listed below.

- 18.5 cents per gallon for beer or cider with an alcohol content of 0.5 percent to 7 percent
- 73 cents per gallon for alcoholic liquor other than beer with an alcohol content of 14 percent or less
- 73 cents per gallon for alcoholic liquor with an alcohol content of more than 14 percent and less than 20 percent
- \$4.50 per gallon for alcoholic liquor with an alcohol content of 20 percent or more

Allowable deductions

The following alcoholic beverages are exempt:

- Wine used by religious organizations for sacramental purposes
- Sales of alcoholic beverages in interstate or foreign commerce
- Sales for use aboard ships operating in foreign commerce outside the continental limits of the U.S.
- Sales to U.S. governmental agencies (military bases) in Illinois (*e.g.*, military bases, veterans' hospitals)
- Sales to licensed non-beverage users
- Losses incurred in bottling alcoholic liquors
- Alcoholic liquors destroyed (must be witnessed by a representative of the department)

Local taxes

Home rule units may impose liquor taxes, which the Department of Revenue does **not** collect.

Additional registration and bonding requirements

Liquor manufacturers or importing distributors must register with the Illinois Liquor Control Commission. In **Chicago**, write Illinois Liquor Control Commission, 100 West Randolph Street, Suite 5-300, Chicago, Illinois, 60601, or call 312 814-2206. In **Springfield**, write Illinois Liquor Control Commission, 101 West Jefferson Street, Springfield, Illinois 62702, or call 217 782-2135.

A bond equal to two times the estimated monthly liability must also be posted. The minimum bond is \$1,000; the maximum bond required is \$100,000.

Filing requirements

- Most taxpayers file Form RL-26, Liquor Revenue Return, which is due the 15th day of the month following the month for which the return is filed.
- Airlines file Form RL-26-A, Liquor Revenue Airline Return, which is due the 15th day of the month following the month for which the return is filed.

A taxpayer who files and pays electronically can receive a discount. For more information refer to the Electronic Filing - Liquor Returns booklet.

Oil and Gas Production Assessment

Statutory reference

225 ILCS 728/1 to 728/99

Definition

The assessment is levied on gross revenues of oil and gas produced from each well in Illinois. It is imposed on Illinois oil or gas producers and is paid by the first purchaser of the oil or gas. The first purchaser pays the assessment to the department.

The **Illinois Petroleum Resources Board** administers and enforces this assessment. For more information, contact the Illinois Oil and Gas Association at 618 242-2857.

Tax rate

The assessment is levied in the amount of 0.1 percent of the gross revenues of oil and gas produced from each well in Illinois.

Filing requirements

Form IDR-283, Oil and Gas Production Assessment Return, is due on or before the 15th day of the month following the month for which the return is filed.

Excise and Utilities Taxes

Qualified Solid Waste Energy Facility Payments

Statutory reference

220 ILCS 5/8-403

Definition

Effective January 29, 1999, qualified solid waste energy facilities that sell electricity to utility companies must make monthly payments equal to six-tenths of a mill for each kilowatt hour of electricity sold. The Department of Revenue began collecting these payments on January 1, 2001. The payments were previously paid to the Treasurer's Office.

Tax Rate

The rate is .0006 (six-tenths of a mill per kilowatt hour sold).

Filing Requirements

License — There is no registration form to complete. Qualified solid waste energy facilities must contact the Department to register.

Tax Returns — Any taxpayer required to pay qualified solid waste energy facility payments must do so by using Form IDR-909, Qualified Solid Waste Energy Facility Payment Form. The due date is the 15th of the month following the end of the reporting period.

Telecommunications Tax

Statutory reference

35 ILCS 630/1 to 630/21

Definition

The tax is imposed on intrastate messages (*i.e.*, those that originate or terminate in Illinois and are billed to a service address in Illinois) as well as interstate messages. The types of telecommunications which are taxable include, but are not limited to, messages or information transmitted through use of local, toll, or wide area telephone services; private line services; channel services; telegraph services; teletypewriter; computer exchange services; cellular mobile telecommunication services; specialized mobile radio; stationary two-way radio; paging services; any other form of mobile and portable one-way or two-way communications; and any other transmission of messages or information by electronic or similar means.

Tax rate

The rate is 7 percent of gross charges.

Allowable deductions and nontaxable sales

The following telecommunication messages are not subject to this tax:

- Sales for resale;
- Sales in interstate commerce;
- Sales to businesses certified by the Illinois Department of Commerce and Community Affairs and located in an enterprise zone;
- Sales to federal and state governments and to state universities for their use and not for resale;
- Sales between a parent corporation and its subsidiaries provided there is no markup and the parent paid the tax to the provider.

Prepaid telephone calling arrangements (prepaid calling cards) are not subject to Telecommunications Excise Tax but are subject to sales tax.

Local taxes

The Municipal Telecommunications Tax includes both intrastate and interstate telecommunications. The rate, which can be imposed in quarter-percent increments, cannot exceed 6 percent. The department collects the municipal tax for all municipalities that have an ordinance in effect other than the city of Chicago. For the most current tax rate information, see the RT-8, Illinois Telecommunication Tax Rate Reference Manual, which is available on our web site at www.ILtax.com. This publication contains the telecommunication tax rates which the IDOR administers. The tax rates are updated and a new revision of this publication is issued each January and July.

Excise and Utilities Taxes

Filing requirements

A taxpayer that has an average monthly liability that is over \$1,000 must file and pay all returns and schedules electronically. For more information please refer to the Electronic Filing - Telecommunication Returns booklet.

Return — Form RT-2, Telecommunications Tax Return, is due either monthly, quarterly, or annually based on the taxpayer's average monthly liability. The department determines how often a return must be filed.

- A monthly return is due on or before the last day of the month following the month for which the return is filed.
- A quarterly return is due on or before the last day of the month following the quarter for which the return is filed.
- An annual return is due January 31st of the year following the year for which the return is filed.

Quarter-monthly payments — Companies that have an average monthly liability of \$25,000 or more must send quarter-monthly payments. Payments are due on the 7th, 15th, 22nd, and the last day of the month. Taxpayers who mail their quarter-monthly remittances to the department must complete Form RPU-50, Public Utilities Quarter-Monthly Payment - Electricity, Gas, Telecommunications Excise Tax. Do not send Form RPU-50 if you remit your payment by EFT.

A taxpayer that had annual liability of \$1,000 or more in the preceding calendar year must remit any tax payment by EFT.

Beginning January 1, 2003, municipal taxes must be paid directly to the department and reported on Form RT-2, Telecommunications Tax Return if the taxpayer has customers with a service address in a municipality with a population of 500,000 or less.

Telecommunications Infrastructure Maintenance Fee

Statutory reference

35 ILCS 635/1 to 635/905

Definitions

Telecommunications infrastructure maintenance fees (TIMFs) are imposed on persons in the business of transmitting, supplying, or furnishing telecommunications and all associated services in Illinois for compensation (*i.e.*, telecommunications retailers).

Tax rate

The rate is 0.5 percent of gross charges.

Allowable deductions

The following types of telecommunications and associated services are exempt:

- An addition added to a purchaser's bill because of:
 - a fee imposed by the tax law
 - a charge under Section 9-221 or 9-222 of the Public Utilities Act
 - a charge under Section 8-11-17 of the Illinois Municipal Code
 - tax imposed by the Telecommunications Excise Tax Act
 - a 911 surcharge
 - tax imposed by Section 4251 of the Internal Revenue Code
- A charge for a sent collect telecommunication that is received outside of Illinois or the municipality imposing the fee
- A charge for leased time on equipment or charges for the storage of data or information or subsequent retrieval or the processing of data or information intended to change its form or content
- A charge for customer equipment, including such equipment that is leased or rented by the customer, if the charge is separately identified from other charges
- A charge to business enterprises certified under Section 9-222.1 of the Public Utilities Act, for the extent and period of time specified by the Department of Commerce and Community Affairs or by the municipality imposing the charge under the Public Utilities Act
- A charge for telecommunications and all services and equipment provided in connection between a parent corporation and its wholly-owned subsidiaries, or between wholly-owned subsidiaries (and only to the extent that the charge represents expense allocation and not the generation of profit, other than regulatory required profit, for the corporation rendering such services)
- A bad debt (meaning any portion of a debt that is related to a taxable sale that has become worthless or uncollectible)

Excise and Utilities Taxes

- A charge paid by inserting coins in a coin-operated telecommunication device
- A charge to a municipality imposing the infrastructure maintenance fee
- Wireless telecommunications
- sales to federal government

Prepaid telephone calling arrangements (prepaid calling cards) are not subject to Telecommunications Infrastructure Maintenance Fee but are subject to sales tax.

Filing requirements

Form RT-10, Telecommunications Infrastructure Maintenance Fees Return, is due either monthly or quarterly, based on the taxpayer's average monthly liability. The department determines how often a return must be filed.

- A monthly return is due on or before the 30th day of the month following the month for which the return is filed.
- A quarterly return is due on or before the 15th day of the month following the quarter for which the return is filed.

Tobacco Products Tax

Statutory reference

35 ILCS 143/10-1

Definition

The tax is imposed on tobacco products (other than cigarettes), including cigars; cheroots; stogies; periques; granulated, plug-cut, crimp-cut, ready-rubbed and other smoking tobacco; snuff or snuff flour; cavendish; plug and twist tobacco; fine-cut and other chewing tobaccos; refuse scraps, clippings, cuttings and sweepings of tobacco; and other kinds and forms of tobacco suitable for chewing or smoking. Out-of-state distributors must pay this tax if they sell tobacco products to Illinois retailers or consumers.

Tax rate

The rate is 18 percent of the wholesale price of tobacco products sold by a distributor. If a tobacco product was distributed as a free sample, the tax is based on the wholesale list price, which is the established wholesale list price charged by a manufacturer to a distributor.

Allowable deductions

The following types of tobacco products sales are not subject to this tax:

- Sales out-of-state
- Sales of tobacco used in the cigarette manufacturing process
- Sales to manufacturers of tobacco products as part of a Correctional Industries program for sale to residents incarcerated in penal institutions and to resident patients of state-operated mental health facilities
- Sales made to a US government agency

Additional registration and bonding requirements

In addition to filing Form REG-1, Illinois Business Registration Application, you must file a bond equal to three times the average monthly Illinois tax liability or \$50,000, whichever is less. The bond is not required if the taxpayer is a licensed cigarette distributor.

Filing requirement

- Form TP-1, Tobacco Products Tax Return, is due by the 15th day of the month following the month in which the tobacco products were sold or otherwise disposed.
- A taxpayer that had annual liability of \$200,000 or more in the preceding calendar year must remit any tax payment by EFT.

Gaming Taxes

Bingo Tax and License Fees

Statutory reference

230 ILCS 25/1 to 25/7

Definition

The tax is imposed on the privilege of conducting bingo games. Annual license fees are imposed on operators, providers, and suppliers of bingo games.

To operate a bingo game, the organization must

- be licensed by the state;
- be a licensed *bona fide* religious, charitable, labor, fraternal, youth athletic, senior citizens', educational, or veterans' organization in Illinois;
- operate without profit to its members;
- have been in existence in Illinois continuously for a period of five years immediately before applying for a license; and
 - it must have a *bona fide* membership engaged in carrying out its objectives during that entire five-year period.

Note

The five-year requirement is reduced to two years when it is applied to a local organization that is affiliated with and chartered by a national organization that meets the five-year requirement.

Tax rate

The rate is 5 percent of gross proceeds.

License fees

An **operator's license** costs \$200 and permits an organization to hold one bingo session a week, with a maximum of 25 bingo games per session and a maximum of \$2,250 in prizes or merchandise per session. (In Madison, Monroe, and St. Clair counties, and the City of Redbud, the prize limit is \$3,250.) A licensed organization may obtain permits to hold two special events per year of up to seven days each.

Organizations that would qualify for annual licenses but prefer not to conduct weekly bingo sessions may obtain a limited license at a cost of \$50. This license entitles them to conduct a maximum of two bingo events during the year. Each event is limited to five consecutive days.

Persons, firms, or organizations that rent or lease premises (*e.g.*, rooms, halls, or buildings) for bingo games must purchase a **provider's license** for \$200.

Persons, firms, or organizations that sell, lease, or otherwise distribute bingo supplies (*e.g.*, cards or markers) must purchase a **supplier's license** for \$200.

Primary filing requirements

License — License fees must be paid when the application is filed. To apply for a license, in addition to completing Form REG-1, Illinois Business Registration Application,

- qualifying organizations must file Form REG-5-A, Gaming Events Operator Information, and Form REG-5, Gaming Event Participants List;
- providers must file Form REG-5-P, Gaming Event Premise Provider Information; and
- suppliers must file Form REG-5-D, Supplier or Manufacturer of Gaming Equipment.

Return

- Taxpayers who hold a regular license must file Form RB-1, Bingo Quarterly Tax Return, quarterly, on the 20th day of the month following the end of the reporting period.
- Taxpayers who hold a limited license must file Form RB-1-L, Limited Bingo Tax Return, on or before the twentieth day following the last day of the event.

Charitable Games Tax and License Fees

Statutory reference

230 ILCS 30/1 to 30/15

Definition

The tax is imposed on the gross proceeds of charitable games. Annual license fees are imposed on operators, suppliers, and providers of such games.

Fourteen games are permitted: bang, beat the dealer, big six, blackjack, chuck-a-luck, craps, five-card stud poker, gin rummy, hold-em poker, keno, merchandise wheel, poker, pull tabs, and roulette. Profits from the games must be used to support the organization's goals, such as charitable work or education. A licensed organization may hold up to four charitable game events per year.

For a group to be eligible to conduct charitable games, it must

- be a religious, charitable, educational, veterans', fraternal, or labor organization;
- have been in existence for at least five years;
- operate without profit to its members; and
- already be exempt from federal income taxation under Internal Revenue Code, Section 501(c)(3), (4), (5), (8), (10), or (19).



Veterans' organizations that are eligible to hold a bingo license are also eligible for a charitable game license without regard to federal tax status.

Tax rate

The tax rate is 3 percent of gross proceeds.

License fees

One annual application is good for four events; however, if all four dates are not requested at application time, an organization may amend or add dates by requesting an amendment in writing 30 days prior to an event.

- Organizations conducting charitable games are required to pay a \$200 annual license fee.
- Suppliers of gaming equipment are required to purchase a \$500 annual license.
- A \$50 annual "provider's fee" is imposed on anyone who rents space to be used for a charitable game.

Primary filing requirements

License — Organizations eligible to hold charitable games must submit applications at least 30 days before the event. License fees must be paid when the application is filed. To apply for a license, in addition to completing Form REG-1, Illinois Business Registration Application,

- qualifying organizations must file REG-5-A, Gaming Events Operator Information, and Form REG-5, Gaming Event Participants List;
- suppliers must file Form REG-5-D, Supplier or Manufacturer of Gaming Equipment; and
- Form REG-5-P, Gaming Event Premise Provider Information.

Return — Form RCG-18, Charitable Game Tax Return, is due 30 days after the date of the event.

Pull Tabs and Jar Games Tax and License Fees

Statutory reference

230 ILCS 20/1 to 20/7

Definition

The tax is imposed on the gross proceeds of pull tabs and jar games. An annual license fee is imposed on operators, suppliers, and manufacturers of pull tabs and jar games.

To sell pull tabs or conduct jar games the organization must

- be licensed by the state;
- be a licensed *bona fide* religious, charitable, labor, fraternal, youth athletic, senior citizens', educational, or veterans' organization in Illinois;
- operate without profit to its members;
- have been in existence in Illinois continuously for a period of five years immediately before applying for a license; and
 - it must have a *bona fide* membership engaged in carrying out its objectives during that entire five-year period.



The five-year requirement is reduced to two years when it is applied to a local organization that is affiliated with and chartered by a national organization that meets the five-year requirement.

Gaming Taxes

The cost of a ticket cannot exceed \$2, and no more than 6,000 tickets can be sold for a single game. The aggregate value of all prizes or merchandise awarded on any single day of games cannot exceed \$5,000 and a single prize cannot exceed \$500.

Tax rate

The tax rate is 5 percent of gross proceeds.

License Fees

- The annual fee for a regular license is \$500. Qualified operators of pull tabs and jar games may hold only one regular operator's license, which is valid only at the locations stated on the license. Once during each license year, a regular licensee may obtain a special permit to sell pull tabs at a different additional location for a period of up to 10 consecutive days.
- The limited license fee is \$50. An organization qualified for a regular license, but not holding one, may receive a limited license to sell pull tabs or conduct jar games on two occasions per year for up to five consecutive days each at a single location.
- Qualified suppliers and manufacturers of pull tabs and jar games must pay an annual license fee of \$5,000.

Primary filing requirements

License — License fees must be paid when the application is filed. To apply for a license, in addition to completing Form REG-1, Illinois Business Registration Application,

- qualifying organizations must file REG-5-A, Gaming Events Operator Information;
- manufacturers or suppliers must file Form REG-5-D, Supplier or Manufacturer of Gaming Equipment.

Return

- Taxpayers who hold a regular license must file Form PT-10, Pull Tab and Jar Game Quarterly Tax Return, quarterly, by the 20th day of the month following the reporting period.
- Taxpayers who hold a limited license must file Form PT-11, Limited Pull Tab and Jar Game Tax Return, by the 20th day following the end of the occasion.

Racing Privilege Tax

Statutory reference

230 ILCS 5/1 to 5/27.1

Definition

The tax is imposed on every person, association, or trust conducting the pari-mutuel or certificate system of wagering. The Illinois Racing Board determines the amount of tax to be collected. Each of the state's seven racetrack organizations (four in Cook County and three downstate) is allowed to have two off-track betting (OTB) outlets. Cook County's OTB outlets cannot be within 5 miles of an existing track or more than 90 miles from the sponsoring track. Downstate OTB outlets cannot be more than 135 miles from the sponsoring track. OTB outlets cannot be located near existing churches, schools, and residences.

Tax rate

The flat pari-mutuel tax rate is 1.5 percent of the daily pari-mutuel handle and is imposed at all pari-mutuel facilities. The Illinois Racing Board administers an admittance tax of 15 cents for each ticket and license fees required of the organizations that sponsor races.

Local taxes

Municipalities and counties may impose an admission tax, which the Department of Revenue does not collect.

Filing requirements

For information about paying this tax, contact the **Illinois Racing Board**.

Riverboat Gambling Taxes and License Fees

Statutory reference

230 ILCS 10/1 to 10/23

Definition

The Illinois Gaming Board regulates the riverboat gambling industry in Illinois. It conducts background investigations on applicants, approves owners, and issues licenses to employees of owners, and suppliers. The board oversees the licensees' operations for compliance with the Illinois Riverboat Gambling Act and adopted rules. The board also conducts audits of casinos' internal control systems and financial records. In addition, the board is responsible for collecting all gaming and admissions taxes, penalties and fees. On a calendar year basis, the board produces a detailed annual report, which may be obtained by writing to: Illinois Gaming Board, P.O. Box 19474, Springfield, Illinois 62794-9474, or by visiting their web site at www.IGB.state.il.us.

Tax rates

An admission tax is imposed on every person admitted to each riverboat. This tax varies from \$3.00 to \$5.00 and is based on the number of persons admitted during the previous year. The wagering tax rates are graduated and are imposed on annual adjusted gross receipts at the following rates:

Annual adjusted gross receipts	Tax rate
\$0 — \$25,000,000	15%
\$25,000,001 — \$37,500,000	27.5%
\$37,500,001 — \$50,000,000	32.5%
\$50,000,001 — \$75,000,000	37.5%
\$75,000,001 — \$100,000,000	45%
\$100,000,001 — \$250,000,000	50%
\$250,000,001 or more	70%

Application and license fees

Application fees must be paid when the application for license is submitted. Annual license fees are due when the license is issued. If there is cause for an investigation relating to the licenses, the licensee must pay the board for the cost of the investigation.

Application fees

Owner's license	\$50,000
Supplier's license	\$10,000
Occupational license, Level 1	\$1,000
Occupational license, Level 2	\$200
Occupational license, Level 3	\$75

*\$25,000 for the first year; \$5,000 for each succeeding year

License fees

Owner's license*	\$25,000; \$5,000
Supplier's license	\$5,000
Occupational license, Level 1	\$50
Occupational license, Level 2	\$50
Occupational license, Level 3	\$50

Filing requirements

For information about paying this tax, contact the **Illinois Gaming Board**.

Income Taxes

Illinois Income Tax

Statutory reference

35 ILCS 5/101 to 5/1701

Definition

The Illinois Income Tax is imposed on every individual, corporation, trust, and estate earning or receiving income in Illinois. The tax is calculated by multiplying net income by a flat rate. The Illinois Income Tax is based, to a large extent, on the federal Internal Revenue Code (IRC).

Individuals

Tax rate

The rate is 3 percent of net income.

Tax base

The starting point for the Illinois Individual Income Tax is federal adjusted gross income. Federal adjusted gross income is “income” minus various deductions (not including itemized deductions, the standard deduction, or any exemptions). Next, the federal adjusted gross income is changed by adding back certain items (*e.g.*, federally tax-exempt interest income) and subtracting others (*e.g.*, federally taxed retirement and Social Security income). The result is “base income.”

The base income earned in Illinois or while a resident of Illinois is then reduced by the number of federally claimed exemptions plus any additional exemptions. The amount of each exemption is \$2,000. Additional exemptions are provided for any taxpayer or spouse who was either 65 years of age or older, legally blind, or both (\$1,000 each). The total exemption amount is deducted from base income to arrive at “net income.” The tax rate is then applied against net income.

Filing and payment requirements

The requirements are similar to federal income tax procedures, including withholding and payment of estimated tax. Illinois residents are given a credit for income taxes paid to other states.

Return — Form IL-1040, Illinois Income Tax Return, is due annually by the 15th day of the 4th month following the close of the taxable year. For most individuals, this is April 15th.

Estimated payments — Individuals are required to make estimated tax payments if they expect to owe more than \$500 tax after subtracting Illinois Income Tax withheld, and the credits for Illinois Property Tax paid, Education Expense credit, Earned Income credit, credit for income tax paid to other states, and tax credits from Schedule 1299-C, Income Tax Subtraction and Credits (for individuals).

Farmers (*i.e.*, individuals who receive at least two-thirds of their total federal gross income from farming) and persons 65 years of age or older who were permanently living in a nursing home during the year are **not** required to make estimated payments.

For most individuals, estimated payments are due April 15th, June 15th, September 15th, and January 15th of the following year. For individuals using fiscal year reporting, payments are due on the 15th day of the fourth, sixth, and ninth months of the fiscal year, and of the first month after the end of the fiscal year. Individuals must complete Form IL-1040-ES, Estimated Income Tax Payments for Individuals, and mail it with their estimated tax payments.

Note → EFT participants and individuals paying by credit card do not complete or mail Form IL-1040-ES.

Automatic extension payment — Individuals who cannot file their annual returns by the due date are given an automatic extension of 6 months. This filing extension is *not* an extension of time to pay any tax owed. Payments and Form IL-505-I, Automatic Extension Payment for Individuals Filing Form IL-1040, must be sent by the annual return due date.

Note → EFT participants and individuals paying by credit card do not complete or mail Form IL-505-I.

Corporations, trusts, estates, and exempt organizations

Tax rate

The rate for corporations is 4.8 percent of net income. The rate for trusts and estates is 3 percent of net income.

Note → These rates apply to income tax only. See information on Personal Property Replacement Tax on Page 55.

S corporations and partnerships do not pay the Illinois Corporate Income Tax. However, corporations, S corporations, partnerships, and trusts are subject to Personal Property Replacement Tax. Income from these entities is generally passed on to owners who, in turn, must report this income on their federal income tax returns. This income is included in federal adjusted gross income, which is the starting point for the Illinois Individual Income Tax, or taxable income for corporations.

Tax base

The starting point for the Illinois Corporate Income Tax is federal taxable income, which is income minus deductions. Next, the federal taxable income is changed by adding back certain items (*e.g.*, state, municipal, and other interest income excluded from federal taxable income) and subtracting others (*e.g.*, interest income from U.S. Treasury obligations). The result is “base income.”

If income is earned both inside and outside of Illinois, the base income may be allocated to Illinois and/or apportioned by a formula to determine Illinois’ share of income. Income apportioned to Illinois is determined by the ratio of the sales within Illinois to the total sales. Insurance companies, financial organizations, and transportation companies have special formulas. Each taxpayer then subtracts the \$1,000 basic exemption (which is prorated if income is earned both inside and outside Illinois) from income allocable to Illinois, and any Illinois net operating loss deduction to arrive at net income. The tax rate is then applied against net income. For taxable years ending on or after 12/31/2003, the standard exemption for corporations is \$0.00.

In the case of an exempt organization under Section 501(a) of the Internal Revenue Code, base income equals federal unrelated business taxable income without deduction for Illinois income tax, and excluding income that, under federal or Illinois law, cannot be taxed by Illinois. No other addition or subtraction modifications are made and no exemptions are allowed.

Filing requirements

Annual return requirements are imposed and special return requirements are imposed on corporations making estimated tax payments.

Returns

- Corporations must file Form IL-1120, Illinois Corporation Income and Replacement Tax Return, annually by the 15th day of the 3rd month following the close of the taxable year.
- Exempt organizations with unrelated business taxable income must file Form IL-990-T, Illinois Exempt Organization Income and Replacement Tax Return, annually by the 15th day of the 5th month following the close of the tax year. If the exempt organization is an employee trust under Internal Revenue Code Section 401(a), Form IL-990-T is due by the 15th day of the 4th month following the close of the tax year.
- Partnerships and S corporations may act as an authorized agent to file returns and pay taxes for their partners and shareholders. These agents must file Form IL-1023-C, Illinois Composite Income and Replacement Tax Return, annually by the 15th day of the 4th month following the close of the tax year.
- Trusts and Estates must file Form IL-1041, Illinois Fiduciary Income and Replacement Tax Return, annually by the 15th day of the 4th month following the close of tax year.

Estimated payments

- Corporations (other than S corporations) who can reasonably expect their income and replacement tax liability to exceed the amount that will be credited against that liability by more than \$400 must make quarterly estimated payments on the 15th day of the 4th, 6th, 9th and 12th months of the tax year. Corporations who mail estimated tax payments must complete Form IL-1120-ES, Estimated Income and Replacement Tax Payment for Corporations.

Note → EFT participants do not complete or mail Form IL-1120-ES.

Automatic extension payment — Corporations, S corporations, partnerships, fiduciaries, or exempt organizations who cannot file their annual returns by the due date are given an automatic extension of 6 months (7 months for corporations). This filing extension is **not** an extension of time to pay any tax owed. Payments and Form IL-505-B, Automatic Extension Payment, must be sent by the due date of the annual return.

Income Taxes

Personal Property Tax Replacement Income Tax

Statutory reference

35 ILCS 5/201

Tax rate

Personal Property Tax Replacement Income Tax is imposed on

- the income of corporations (other than S corporations) at the rate of 2.5 percent; and
- the income of partnerships, trusts, and S corporations at the rate of 1.5 percent.

Payment of replacement taxes mirrors the procedures and requirements established for calculating and remitting business income taxes. (See Page 54.) However, tax credits do not apply uniformly to both income and replacement taxes.

Filing requirements

Returns — Corporations and trusts report and pay Personal Property Tax Replacement Tax on Form IL-1120, and Form IL-1041, respectively. See Page 54.

- Partnerships must file Form IL-1065, Illinois Partnership Replacement Tax Return, annually by the 15th day of the 4th month following the close of the tax year.
- S corporations must file Form IL-1120-ST, Illinois Small Business Corporation Replacement Tax Return, annually by the 15th day of the 3rd month following the close of the taxable year.

S corporations, partnerships, and trusts do not pay estimated taxes.

Note → Schedule K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, or Schedule K-1-T, Beneficiary's Share of Income and Deductions, must be provided to each partner, shareholder, or beneficiary.

Employer's Withholding Income Tax

Statutory reference

35 ILCS 5/701 *et seq.*

Definition

Illinois Income Tax must be withheld by an employer if the following conditions are met:

- Federal income tax is withheld and either
 - compensation (*i.e.*, wages and salaries) is paid in Illinois; or
 - wages or gambling winnings are paid to an Illinois resident and no other state's income tax is withheld.
- Illinois lottery winnings are paid.
- a voluntary withholding agreement applies.

Note → A separate agreement for payments to an Illinois resident covered by a federal voluntary withholding agreement is not required.

Illinois Income Tax is **not** withheld from compensation paid to residents of Iowa, Kentucky, Michigan, and Wisconsin (due to reciprocal agreements with each of these states), and from certain other types of compensation and payments. For more information, see Booklet IL-700, Illinois Withholding Tax Guide.

An **employer** is any of the following:

- A person or organization who has an office or transacts business in Illinois for whom a worker performs a service as an employee and who is liable to withhold and pay both federal income and FICA taxes to the Internal Revenue Service (IRS)
- A person or organization who has an office or transacts business in Illinois and who has control of the payment of wages for employee services
- A payer who has an office or transacts business in Illinois and who makes payments from which federal income taxes are withheld (*e.g.*, gambling or lottery winnings)

See IRS Publication 15 Circular E, Employer's Tax Guide, for more information.

An **employee** is either

- a person who performs services subject to the legal control and direction of an employer, or
- anyone who receives payments on which federal income tax is withheld by his or her employer.

Note → Self-employed individuals are not subject to tax withholding requirements. See IRS Publication 15 Circular E, Employer's Tax Guide, or Publication 937, Employment Taxes, for more information.

An Illinois withholding exemption is the portion of payments on which Illinois Income Tax is **not** withheld. For more information about Illinois withholding, see Booklet IL-700, Illinois Withholding Tax Guide.

Amount withheld

Employee compensation — Illinois has reciprocal agreements with Iowa, Kentucky, Michigan, and Wisconsin. Therefore, the compensation of employees who are based in Illinois, but who are residents of these states, is not subject to Illinois Income Tax. Illinois tax should not be withheld from compensation paid if the employee completes Form IL-W-5-NR, Employee's Statement of Nonresidence in Illinois. Tax must be withheld, however, if this form is not completed. Except for the employees who are residents of states with whom Illinois has a reciprocal agreement, employers withhold Illinois Income Tax based on the number of allowances claimed on Form IL-W-4, Employee's Illinois Withholding Allowance Certificate and Instructions. Allowances are converted to an exemption amount, which is subtracted from the employee's compensation. The result is then multiplied by the tax rate, which is the amount of tax withheld.

Lottery and gambling winnings — Illinois Income Tax must be withheld each time a single payment of Illinois lottery winnings over \$1,000 is made. It does not matter that several individuals may jointly hold the winning ticket and each person's "share" is less than \$1,000. Tax is withheld from Illinois lottery winnings for both Illinois residents and persons who are not Illinois residents. Illinois Income Tax must be withheld from other gambling winnings paid to an Illinois resident if the winnings are subject to federal income tax withholding requirements. Illinois Income Tax is not withheld from other gambling winnings of nonresidents.

See 26 USCA 3402(q) of the Internal Revenue Code and the IRS' instructions for federal Forms 5754, Statement by Person(s) Receiving Gambling Winnings, and W-2G, Certain Gambling Winnings, for information on federal withholding.

Note → Bingo, keno, and slot machine winnings are not subject to federal withholding requirements. However, winners will be taxed on these types of gambling winnings.

All individuals must complete Form IL-5754, Statement by Person Receiving Gambling Winnings. Illinois residents who want to claim exemption from withholding of lottery or gambling winnings over \$5,000 must also complete Form IL-W-4-G, Gambling Withholding Exemption Certificate. In this case, withholding is similar to that of employees. The withholding agent must receive this form before winnings are paid. Otherwise, the full rate of tax must be withheld from the winnings. See Booklet IL-700, Illinois Employer's Withholding Tax Guide for other information about withholding Illinois Income Tax. You may also obtain Booklet IL-700-T, Withholding Tax Tables.

Filing and payment requirements

Returns

- **Household employers** who hire household employees (*i.e.*, a person who, for federal income tax purposes, is treated as the employer of a person who does work around the home — for example, a babysitter, caretaker, cleaning person, driver, health aide, housekeeper, nanny, private nurse, or yard worker), may file Form IL-700-H, Illinois Household Employer's Tax Return. If this method is chosen, the return is filed and tax withheld from that employee's compensation is paid once a year (separately from any other employees) using Form IL-700-H. Otherwise, the household employer must file returns and send payments as identified below. For more information about household employees, see Booklet IL-700-H, Illinois Household Employer's Tax Guide and Tables.
- **All other withholding agents** must file and pay tax withheld based on the amount of withholding tax accumulated.
 - Form IL-W-3, Illinois Annual Withholding Income Tax Return, is due on or before the last day of February following the end of the calendar year. This form is a reconciliation of the previous year's withheld tax reported on Forms W-2, Wage and Tax Statement, W-2G, Certain Gambling Winnings, any form 1099, and IL-941. **Do not send W-2, W-2G or any form 1099 to the department.**

Income Taxes

- Form IL-941, Illinois Quarterly Withholding Income Tax Return, is due either annually or quarterly, depending on the amount of withheld Illinois Income Tax accumulated.
- If less than \$500 is withheld for the year, Form IL-941 is due on or before January 31 of the following year.
 - If more than \$500 is withheld for the year, Form IL-941 is due quarterly, even if no tax was withheld during that quarter (*e.g.*, employees are seasonal workers). Returns are due on or before April 30, July 31, October 31, and January 31 of the following year. Annual filers who accumulate more than \$500 for the year must file Form IL-941 and send a payment for the quarter \$500 is reached. They must begin filing Form IL-941 quarterly.

Note → The Illinois Department of Employment Security, not the Illinois Department of Revenue, is responsible for collecting unemployment taxes. Contact their office for more information or to report a newly hired employee.

write: ILLINOIS DEPARTMENT OF EMPLOYMENT SECURITY
REVENUE DIVISION
33 SOUTH STATE STREET
CHICAGO ILLINOIS 60603

call: 1 800 247-4984 or 312 793-4880

Additional payments

Although Form IL-941 must be filed on either an annual or quarterly basis, withholding agents who accumulate more than \$500 unpaid withheld tax each month must send withholding payments more often (*i.e.*, quarter-monthly, semi-monthly, or monthly) using Form IL-501, Illinois Withholding Income Tax Payment. Unpaid tax withheld is considered to be accumulated on the date compensation is paid to the employee. Two thresholds are used to determine when payments are due.

- **Threshold 1** — Withholding agents who have more than \$1,000 in accumulated unpaid tax withheld at the end of a quarter-monthly or semi-monthly period (semi-monthly payroll only) must remit a payment on or before the third banking day following the close of the quarter-monthly or semi-monthly period.
- **Threshold 2** — Withholding agents who have more than \$500 in accumulated unpaid tax on the last day of the month (but not more than \$1,000) and who do not accumulate \$1,000 in unpaid tax by the end of the first quarter-monthly or semi-monthly period must remit a payment on or before the 15th day of the second and third months of the calendar quarter. The third monthly payment is due when Form IL-941 is filed.

Note → Saturdays, Sundays, legal holidays, or local bank holidays are not banking days. Also, EFT participants do not complete or mail Form IL-501.

Motor Fuel Tax

Statutory reference

Motor Fuel Tax, 35 ILCS 505/1 to 505/20

Definition

The Motor Fuel Tax is imposed on the privilege of operating motor vehicles on public highways and recreational watercraft on waterways in Illinois. It is paid by distributors and suppliers, who collect the tax from their customers.

Exemptions

Motor fuel exemptions include the following:

- Gasoline used for aviation purposes
- Sales to the federal government and foreign governments
- Sales to municipal corporations owning and operating local transportation systems for public service within Illinois
- Sales to qualified privately owned public utilities owning and operating two-axle vehicles designed and used for transporting more than seven passengers
- Fuel used by non-recreational watercraft

Tax rate

The rate is 19 cents per gallon. An additional 2.5 cents is added per gallon of diesel fuel (or 21.5 cents per gallon).

Additional registration and bonding requirements

In addition to filing Form REG-1, Illinois Business Registration Application, we may contact you for additional information, and you must post a bond. The minimum bond is \$1,000 and the maximum bond cannot exceed twice the monthly amount that would be collectable as a tax in the event of a sale of all motor fuel, or special fuel sold, distributed, and used by the distributor including tax-free sales, use, or distribution.

Filing and payment requirements

Form RMFT-5, Motor Fuel Distributor/Supplier Tax Return, is due on or before the 20th day of the month following the month for which the return is filed. Form RMFT-71, Liquified Petroleum Gas Tax Return, is due monthly on the 20th day of the month following the end of the reporting period.

Motor Fuel Use Tax

Statutory reference

Motor Fuel Use Tax, 35 ILCS 505/13a

Definition

The Motor Fuel Use Tax (MFUT) is imposed on the use of motor fuel on Illinois highways by commercial motor vehicles, which are qualified under the International Fuel Tax Agreement (IFTA). IFTA includes all contiguous states in the U.S. and most Canadian provinces. Each motor carrier has a base jurisdiction (state or province) that collects motor fuel use taxes on qualified motor vehicle operations for all IFTA jurisdictions and apportions money to those jurisdictions. For additional information about Motor Fuel Use Tax, see the MFUT-13, Illinois Motor Fuel Use Tax Carrier Compliance Manual, which is available on our web site at www.ILtax.com.

Exemptions

Motor fuel use tax in Illinois exempts the following:

- Motor vehicles operated by the Illinois state government or the United States government
- Recreational vehicles
- School buses (**must** have school bus license plates)
- Qualified motor vehicles operated solely within Illinois for which all motor fuel is purchased within Illinois

Tax rates

The Motor Fuel Use Tax is composed of two parts. The Part A rate is the Motor Fuel Tax rate. The Part B rate is equal to 6.25 percent of the average selling price of motor fuel sold in Illinois. The department determines the Part B rate by January 1 of each year.

Motor Fuel Taxes

Additional registration and bonding requirements

In addition to Form REG-1, Illinois Business Registration Application, Form MFUT-12, Motor Fuel Use Tax, Application for Motor Fuel Use Tax License and Decals, must be completed by Illinois based carriers who travel interstate. When required, a bond shall be equal to at least twice the estimated average tax liability of a quarterly return.

Filing and payment requirements

Form MFUT-15, IFTA Quarterly Return, covering each quarter's operations is due on or before the last day of the month following the quarter for which the return is filed.

Environmental Impact Fee and Underground Storage Tax

Statutory references

Environmental Impact Fee, 415 ILCS 125/301 *et seq.*; Underground Storage Tank Tax, 35 ILCS 505/1 *et seq.*

Definition

The Underground Storage Tank (UST) Tax and the Environmental Impact Fee (EIF) are imposed on the privilege of being a receiver of certain petroleum products in Illinois. The tax and fee are paid by the receiver who first sells or uses the following petroleum products:

- Motor fuel
- Home heating oil
- Kerosene
- Aviation fuel

The UST Tax and the EIF are separate from and in addition to the Motor Fuel Tax and each other.

Exemptions

The following types of sales are exempt from the Underground Storage Tank Tax and the Environmental Impact Fee:

- Liquid petroleum gas
- Aviation fuel and kerosene sold to qualified air carriers
- Diesel fuel sold to ships, barges, and vessels conducting interstate commerce on border rivers
- Importation or receipt of diesel fuel sold to or used by a qualifying rail carrier (as defined in the Illinois Vehicle Code or recognized by the Illinois Commerce Commission)

Tax rates

The Underground Storage Tank Tax rate is three-tenths of one cent (\$.003) per gallon of fuel. The Environmental Impact Fee rate is \$60 per 7,500 gallons (eight-tenths of one cent [\$.008] per gallon) of fuel sold.

Additional registration and bonding requirements

In addition to filing Form REG-1, Illinois Business Registration Application, we may contact you for additional information, and you must post a bond. The minimum bond is \$1,000 and the maximum bond cannot exceed twice the monthly amount that would be collectable as a tax in the event of a sale of all motor fuel, or special fuel sold, distributed, and used by the distributor including tax-free sales, use, or distribution.

Filing and payment requirements

Form RMFT-5-US, Underground Storage Tank Tax and Environmental Impact Fee Receiver Return, is due on or before the 20th day of the month following the month for which the return is filed.

Note

For the most current tax rate information for occupation taxes, see the ST-25, Sales Tax Rate Reference Manual, which is available on our web site at www.ILtax.com. This publication contains sales tax rates for the municipalities, counties, and other local taxing districts for which the IDOR administers tax. The tax rates are updated and a new revision of this publication is issued each January and July.

Occupation Taxes, Fees, and Credits

Automobile Renting Occupation and Use Taxes

Statutory reference

35 ILCS 155/1 to 155/4

Definition

The occupation tax is imposed on automobile rental businesses based on their charges for automobile rentals in Illinois for periods of one year or less.

The use tax is imposed on persons renting automobiles in Illinois based on the rental price. Rentors collect the use tax from renters and in turn meet their occupation tax liability by remitting the tax to the Department of Revenue. If the use tax is not paid to the rentor, the person using the automobile in Illinois must pay the tax directly to the department.

Exemptions

The following automobile rentals are exempt from tax:

- Automobiles rented for more than one year
- Receipts received by automobile dealers from a manufacturer or service contract provider for the use of “loaner” vehicles while the dealer is making a warranty or service contract repair on the person’s vehicle
- Vehicles rented by exempt organizations who provide a copy of the organization’s active Illinois exemption number issued by the department. The exemption number begins with the letter “E” and is followed by 10 digits (*e.g.*, E 9999-9999-01).

Tax rates

The state tax rate for both taxes is 5 percent.

Local taxes

Counties, municipalities, certain mass transportation districts, and the Metropolitan Pier and Exposition Authority (MPEA) are allowed to impose automobile renting occupation and use taxes. If imposed, the department collects the taxes for these local governments and returns the collections to them. The specific names of these local taxes are identified below.

- County Automobile Renting Tax
- Metro-East Mass Transit (MED) Automobile Renting Tax
- Metropolitan Pier and Exposition Authority (MPEA) Automobile Renting Tax
- Municipal Automobile Renting Tax
- Regional Transportation Authority (RTA) Automobile Renting Tax

Filing requirements

Form ART-1, Automobile Renting Occupation and Use Tax Return, is due monthly or annually, based on the taxpayer’s average monthly liability. The department determines how often a return must be filed.

- A monthly return is due the 20th day of the month following the month for which the return is filed.
- An annual return is due January 20th of the year following the year for which the return is filed.

Retailers’ Occupation Tax, Service Occupation Tax, Service Use Tax, and Use Tax

Statutory references

Retailers’ Occupation Tax, 35 ILCS 120/1 to 120/14; Service Occupation Tax, 35 ILCS 115/1 to 115/21; Service Use Tax, 35 ILCS 110/1 to 110/21; Use Tax, 35 ILCS 105/1 to 105/22

Definitions

“Sales tax” is imposed on a seller’s receipts from sales of tangible personal property for use or consumption. Tangible personal property does not include real estate, stocks, bonds, or other “paper” assets representing an interest.

If the seller (typically an out-of-state business, such as a catalog company or a retailer making sales on the Internet) does not charge Illinois Sales Tax, the purchaser must pay the tax directly to the department.

The term “sales tax” actually refers to several tax acts. Sales tax is a combination of “occupation” taxes that are imposed on sellers’ receipts and “use” taxes that are imposed on amounts paid by purchasers. Sellers owe the occupation tax to the department; they reimburse themselves for this liability by collecting use tax from the buyers. “Sales tax” is the combination of all state, local, mass transit, water commission, home rule occupation and use, non-home rule occupation and use, park district, and county public safety taxes.

Occupation Taxes, Fees, and Credits

For purposes of this document, Illinois Sales Tax has three rate structures — one for qualifying food, drugs, and medical appliances; one for items required to be titled or registered; and another for all other general merchandise.

“Qualifying food” applies to food not prepared by the retailer for immediate consumption, such as grocery store food items. “Qualifying food, drugs, and medical appliances” include

- food that has not been prepared for immediate consumption, such as most food sold at grocery stores, excluding hot foods, alcoholic beverages, and soft drinks;
- prescription medicines and nonprescription items claimed to have medicinal value, such as aspirin, cough medicine, medicated hand lotion, and fluoride toothpaste; and
- prescription and nonprescription medical appliances that directly replace a malfunctioning part of the human body, such as corrective eyewear, contact lenses, prostheses, insulin syringes, and dentures.

“Vehicles” include

- motor vehicles, ATVs, watercraft, aircraft, trailers, and mobile homes; and
- motor vehicles, aircraft, and vessels owned by a business when that business moves into or relocates to Illinois.

“Other general merchandise” includes sales of most tangible personal property including sales of

- soft drinks;
- prepared food such as food purchased at a restaurant;
- photo processing (getting pictures developed);
- prewritten and “canned” computer software;
- prepaid telephone calling cards and other prepaid telephone calling arrangements;
- repair parts and other items transferred or sold in conjunction with providing a service under certain circumstances based on the actual selling price.

Tax rates

The fundamental rate for

- qualifying food, drugs, and medical appliances is 1 percent.
- items required to be titled or registered is 6.25 percent.
- other general merchandise is 6.25 percent.

Depending upon the location of the sale, the actual sales tax rate may be higher than the fundamental rate because of home rule, non-home rule, water commission, mass transit, park district, and county public safety sales taxes.

Motor fuel distributors must collect **“prepaid sales tax”** on the motor fuel sold for resale to a retailer who is not an Illinois licensed motor fuel distributor or supplier of diesel and dieselhol. The retailer prepays the sales tax to the motor fuel distributor and then claims a credit for the prepaid tax when the sales tax return is filed. The prepaid sales tax rates are \$0.05 per gallon for sales of gasohol and \$0.06 per gallon for all other motor fuels.

Note → The rate for reformulated fuel that is labeled as gasohol but contains over 10 percent alcohol is \$0.06 per gallon.

Local taxes

Units of local government may impose taxes or fees, which the department does **not** collect. Contact your units of local government (county, municipal, mass transit, *etc.*) to determine if you must pay any additional taxes or fees not listed below. The following local taxes, which the department collects, may be imposed. Except as noted below, the preprinted rate on the return will include any locally imposed taxes.

- Chicago Home Rule Municipal Soft Drink Retailers’ Occupation Tax (See Page 73 for separate return and payment requirements.)
- Chicago Home Rule Use Tax
- County Motor Fuel Tax (See Page 74 for separate return and payment requirements.)
- County Public Safety Tax
- DuPage Water Commission Taxes
- Home Rule County Taxes
- Home Rule or Non-home Rule Municipal Taxes
- Mass Transit District Taxes (Metro-East Mass Transit (MED) Taxes and Regional Transportation Authority (RTA) Taxes)

Occupation Taxes, Fees, and Credits

- Metro-East Park and Recreation District Taxes
- Metropolitan Pier and Exposition Authority (MPEA) Food and Beverage Tax (See Pages 73-74 for separate return and payment requirements.)
- Special County Retailers' Occupation Tax for Public Safety

Exemptions

Sales — The following examples of sales of tangible personal property are exempt from tax:

- Sales to state, local, and federal governments
- Sales to not-for-profit organizations that are exclusively charitable, religious, or educational
- Sales of newspapers and magazines
- Sales of tangible personal property to interstate carriers for hire used as rolling stock (*e.g.*, semi-tractor trailers, railroad cars)
- Sales of machinery and equipment that will be used primarily in manufacturing or assembling of tangible personal property for wholesale or retail sale or lease and production agriculture
- Qualified sales of building materials that will be incorporated into real estate as part of a project for which a Certificate of Eligibility for Sales Tax Exemption has been issued by the enterprise zone administrator
- Qualifying purchases of tangible personal property used in a manufacturing or assembling process by businesses located in an enterprise zone and certified by the Department of Commerce and Community Affairs as qualifying to make these purchases because jobs will be created or retained
- Sales of legal tender, medallions, and gold bullion issued by qualifying governments
- Fuel used for international flights
- Certain second division motor vehicles and trailers if the Commercial Distribution Fee administered by the Secretary of State is paid.

Organizations — Qualified organizations, as determined by the department, are exempt from paying sales and use taxes in Illinois. Upon approval, we issue each organization a sales tax exemption number. The organization **must** give this number to a merchant in order to make purchases tax-free. Examples of exempt organizations are listed below.

- State, local, and federal governments
- Not-for-profit organizations that are exclusively charitable, religious, or educational
- Certain senior citizen organizations
- County fair associations
- Not-for-profit organizations that are operated primarily for arts or cultural purposes
- Certain licensed day care centers

Examples of organizations that do not have to collect sales tax on their retail sales

- Elementary or secondary teacher-sponsored student organizations
- Not-for-profit organizations that are exclusively charitable, religious, or educational who make sales to their members primarily for the purposes of the selling organization (*e.g.*, uniforms, insignia, and scouting equipment by Scout organizations to their members; bible sales by a church to its members)
- Certain sales by not-for-profit service organizations operated for the benefit of persons 65 years of age or older

Filing and payment requirements

Returns

Titled or registered items — Registered Illinois dealers who sell vehicles, watercraft, aircraft, trailers, and mobile homes must file Form ST-556, Sales Tax Transaction Return, within 20 days of the delivery date.

Individuals who purchase items that must be titled or registered in Illinois from an **out-of-state retailer** (*i.e.*, dealer, lending institution, leasing company selling at retail, or leasing company leasing items to Illinois residents) must file Form RUT-25, Use Tax Transaction Return, on the date the Illinois title and registration is applied for, but not more than 30 days after the date the item is brought into Illinois.

Individuals who purchase (or acquire by gift or transfer) motor vehicles that must be titled or registered from another individual or private party must file Form RUT-50, Vehicle Use Tax Transaction Return, within 30 days from the date the vehicle is purchased or acquired. (See "Vehicle Use Tax" on Pages 64-65.) Individuals who acquire (by gift, donation, transfer, or non-retail purchase) aircraft that must be registered must file Form RUT-75, Aircraft Use Tax Return, no later than 30 days from the date the item was acquired or the date the item was brought into Illinois, whichever is later. (See "Aircraft Use Tax" on Page 65.)

Occupation Taxes, Fees, and Credits

Prepaid sales tax on motor fuel — Motor fuel distributors file Form PST-1, Prepaid Sales Tax Return, monthly on the 20th day of the month following the month for which the return is filed.

Note → Retailers claim a credit for the amount of prepaid sales tax on Form ST-1, Sales and Use Tax Return, Line 17.

Qualifying food, drugs, and medical appliances and other general merchandise — Registered Illinois retailers and servicepersons file Form ST-1, Sales and Use Tax Return, monthly, quarterly, or annually, based on the taxpayer's average monthly liability. The department determines how often a return must be filed.

- A monthly return is due the 20th day of the month following the month for which the return is filed.
- A quarterly return is due the 20th day of the month following the quarter for which the return is filed.
- An annual return is due January 20th of the year following the year for which the return is filed.

Illinois residents who make purchases from non-registered out-of-state retailers (such as catalog or Internet transactions) or those who make purchases from servicepersons who do not pay use tax directly to us must file Form ST-44, Illinois Use Tax Return.

- If less than \$600 is owed, the return and tax is due April 15th of the year after the year in which the purchase was made.
- If the total tax liability for the year is more than \$600, the return and tax is due the last day of the month following the month in which the purchase was made.

Tangible personal property sold at retail over the **Internet** is taxed in the same manner as any other retail sale. Generally, if the item of tangible personal property is purchased from an

- **Illinois retailer**, the retailer is responsible for collecting and remitting Illinois sales tax.
- **out-of-state retailer who does not collect Illinois sales tax**, the purchaser owes use tax and is responsible for paying use tax directly to the department using Form ST-44.

Quarter-monthly payments — If a **retailer** or **serviceperson's** average monthly liability is \$20,000 or more, quarter-monthly payments must be made. Payments are due the 7th, 15th, 22nd, and last day of the month. Because the statutory threshold for mandated electronic funds transfer (EFT) program participation is \$200,000 annual liability, most taxpayers will remit their quarter-monthly payments by EFT. Taxpayers who mail their quarter-monthly remittances to the department must complete Form RR-3, Sales and Use Tax Quarter-monthly Payment.

Note → Electronic funds transfer program participants do not complete or mail Form RR-3.

If a **motor fuel distributor's** average monthly liability is \$20,000 or more, quarter-monthly payments must be made. Payments are due the 7th, 15th, 22nd, and last day of the month. Because the statutory threshold for mandated electronic funds transfer (EFT) program participation is \$200,000 annual liability, most taxpayers will remit their quarter-monthly payments by EFT. Taxpayers who mail their quarter-monthly remittances to the department must complete Form PST-3, Prepaid Sales Tax on Motor Fuel.

Note → Electronic funds transfer program participants do not complete or mail Form PST-3.

Occupation Taxes, Fees, and Credits

Tire User Fee

Statutory reference

415 ILCS 5/55.8 -10

Definition

Any person who sells or delivers tires at retail in Illinois must collect the fee. The fee is imposed on

- new and used tires for vehicles in which persons or property may be transported or drawn upon a highway, as defined in the Illinois Vehicle Code, Section 1-217;
- aircraft;
- special mobile equipment (such as street sweepers, road construction and maintenance machinery); and
- implements of husbandry (farm wagons and combines).

Fee rate

The rate is \$2.50 per tire sold or delivered at retail.

Exemptions

The following exemptions are allowed:

- Tires that are placed on a vehicle that is not transported or drawn upon a highway (*e.g.*, race cars, fork lifts, all-terrain vehicles, and lawn and garden tractors)
- Tires sold with a vehicle
- Tires sold through the mail
- Reprocessed tires - A "reprocessed tire" is a used tire that has been recapped, retreaded, or regrooved and that has not been placed on a vehicle wheel rim.

Note → Used tires sold at retail that have not been "reprocessed" are not exempt.

Filing and payment requirements

Form ST-8, Tire User Fee, is due quarterly, on or before the last day of the month following the quarter for which the return is filed.

Vehicle Use Tax

Definition

The tax is imposed on motor vehicles purchased (or acquired by gift or transfer) from another individual or private party. (Sales of motor vehicles from registered Illinois dealers are taxed under the Retailers' Occupation Tax Act.)

Tax Rate

The rate is determined by either the purchase price or fair market value of the motor vehicle. Fair market value is used when there is no stated purchase price (*e.g.*, the motor vehicle is a gift). If the vehicle's purchase price is less than \$15,000, the tax is based on the age of the vehicle. See Table A below. If the vehicle's purchase price is \$15,000 or more, the tax is based on the purchase price. See Table B below.

Table A		Table B	
Vehicles purchased for less than \$15,000:		Vehicles purchased for \$15,000 or more:	
Vehicle Age	Tax	Purchase Price	Tax
1 or newer	\$390	\$15,000 – \$19,999	\$ 750
2	290	\$20,000 – \$24,999	1,000
3	215	\$25,000 – \$29,999	1,250
4	165	\$30,000 or more	1,500
5	115		
6	90		
7	80		
8	65		
9	50		
10	40		
11 or older	25		

In addition, there is a flat rate tax of \$25 for purchases of motorcycles and all-terrain vehicles (ATVs), and \$15 for purchases from certain family members, gifts to beneficiaries (not surviving spouses), and transfers in a business reorganization.

Occupation Taxes, Fees, and Credits

Exemptions

The following motor vehicles may be exempt from tax with proper documentation:

- Vehicles given as estate gifts to surviving spouses
- Vehicles purchased by government, charitable, educational, and religious organizations for their use
- Rolling stock
- Vehicles purchased by out-of-state residents who use them outside of Illinois for more than three months
- Farm implements
- Ready-mix concrete trucks
- Vehicles purchased specifically for the purpose of donating to an exempt organization operated exclusively for educational purposes
- Vehicles purchased in an insurance replacement settlement
- Certain second division motor vehicles and trailers if the Commercial Distribution Fee administered by the Secretary of State is paid.

Filing and payment requirements

Form RUT-50, Vehicle Use Tax Transaction Return, is due within 30 days of the date the item is purchased (or acquired by gift or transfer).

Note → Form RUT-50 and any tax due is submitted to the Office of the Secretary of State when the purchaser applies for title to the motor vehicle.

Aircraft Use Tax

Definition

The tax is imposed on aircraft purchased (or acquired by gift or transfer) from another individual or person or business that is not in the business of selling aircraft at retail. (Sales of aircraft from registered Illinois dealers are taxed under the Retailers' Occupation Tax Act.)

Tax Rate

The rate is 6.25 percent of the purchase price or fair market value, whichever is greater.

If you acquire the aircraft by purchase from a person or business that is not in the business of selling aircraft at retail. You must pay tax on the aircraft's purchase price. If the aircraft's purchase price is less than the fair market value, you must pay tax on the aircraft's fair market value on the date acquired or the date brought into Illinois, whichever is later.

If you acquire the aircraft by gift, donation or transfer, you must pay tax on the aircraft's fair market value on the date acquired or the date brought into Illinois, whichever is later.

If you acquired and used the aircraft outside Illinois before you brought it into Illinois, you will receive a credit for tax properly due and paid to another state.

Exemptions

The following transactions are exempt under the Aircraft Use Tax Act:

- The use of the aircraft in Illinois is already taxed under the Illinois Use Tax Act. For example, the aircraft is purchased from an out-of-state retailer. This type of transaction is taxed and reported on Form RUT-25, Use Tax Transaction Return.
- The aircraft is acquired by a governmental agency or a society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes that has been issued an active exemption number by the Illinois Department of Revenue.
- The aircraft is acquired by an interstate carrier for hire for use as rolling stock to transport persons or commodities in interstate commerce.
- The aircraft is a gift to a beneficiary in an estate and the beneficiary is the surviving spouse.
- The temporary storage of an aircraft that was acquired outside of Illinois and after being brought into Illinois and stored temporarily, is used solely outside Illinois.

Filing and payment requirements

Form RUT-75, Aircraft Use Tax Return, is due no later than 30 days from the acquisition date or the date the item is brought into Illinois, whichever is later.

Note → You must submit proof of tax payment or proof of exemption before your aircraft registration will be issued by the Illinois Department of Transportation - Division of Aeronautics.

Occupation Taxes, Fees, and Credits

Sales of Aircraft by Lessors

Definition

You are considered a retailer under the Retailers' Occupation Tax Act if you are engaged in the business of leasing or renting aircraft and you sell a used aircraft in connection with your business to a purchaser who will use the aircraft for his or her own use.

Tax Rate

Generally, the rate is 6.25 percent. Your rate may be higher if units of local government have imposed taxes. Booklet ST-25, Sales Tax rate Reference Manual, lists all tax rates for each tax location in Illinois. We update this manual in January and July of each year. You may view this document on our web site.

Exemptions

Any transaction currently exempt under the Retailers' Occupation Tax Act is an exempt transaction. You must be able to document the exempt sale. For more information, see the instructions for Form ST-556, Sales Tax Transaction Return, or Publication 104, Common Sales Tax Exemptions.

Filing and payment requirements

Form ST-556, Sales Tax transaction Return, is due 20 days after the date the aircraft is delivered. Contact our Central Registration Division to properly register as a retailer of aircraft and obtain the necessary ST-556 forms.

Note → The aircraft **cannot** be registered with the Illinois Department of Transportation, Division of Aeronautics, until tax is paid or proof that the transaction is exempt from taxation is submitted.

Other Taxes and Programs

Circuit Breaker Grant, Pharmaceutical Assistance, and SeniorCare

Statutory references

Senior Citizens and Disabled Persons Property Tax Relief and Pharmaceutical Assistance Act, 320 ILCS 20/1 *et seq.*

Definition

The **Property Tax Grant Program** provides an annual grant for relief from property tax, mobile home tax, rent, or nursing home charges that qualifying low-income senior and disabled persons pay on their residences (whether paid directly or indirectly in the form of increased rent or nursing home charges).

Note → Those who qualify for Circuit Breaker can obtain a discount on a license plate renewal through the Office of the Secretary of State.

The **Pharmaceutical Assistance Program** helps participants pay for approved prescription medications used for the treatment of alzheimer's disease, arthritis, cancer, diabetes (including insulin and syringes and needles used to administer insulin), glaucoma, heart and blood pressure problems, lung and smoking-related illnesses, multiple sclerosis, osteoporosis, and Parkinson's disease. An applicant (or the applicant's spouse or any qualified additional resident who meets the age requirement) may qualify for Pharmaceutical Assistance even if he or she does not qualify for a property tax grant.

In addition to pharmaceutical assistance, you will automatically become a member of the new Illinois Rx Buying Club, at no further cost to you. For additional information on the Illinois Rx Buying Club, please visit their web site at www.state.il.us/aging or www.illinoisrxbuyingclub.com.

The SeniorCare Program allows qualified applicants to choose either expanded prescription coverage or a rebate option. Participants may have either SeniorCare's prescription coverage **or** the rebate, but not both.

- SeniorCare prescription coverage pays for the same categories of drugs as the Pharmaceutical Assistance program, but also covers most other prescription drugs and some over-the-counter drugs if a doctor prescribes them. The approved applicant receives a SeniorCare prescription card.
- Participants who receive a SeniorCare prescription card may choose to cancel the prescription coverage and instead request a \$25 monthly SeniorCare rebate. The participant **must** have insurance that pays for prescription drugs to qualify for the rebate.

For additional information on SeniorCare, please visit their web site at www.seniorcareillinois.com.

Applying for the programs

Applicants must file Form IL-1363, Circuit Breaker Application each year by December 31. Form IL-1363 should be filed as soon as the applicant has all the necessary information to complete it, which will help avoid a break in prescription coverage. All prescription coverage issued in 2004, from the 2003 Form IL-1363, will end June 30, 2005.

To qualify for the Circuit Breaker Property Tax Grant and Pharmaceutical Assistance Programs, applicants must meet the following age, residency, and income requirements:

1 Age

- Be 65 years of age or older before January 1, 2004; or
- Become 65 years of age during 2004; or
- Be 16 years of age or older before January 1, 2004, and totally disabled; or
- Be a widow or widower who was 63 or 64 years of age before the spouse's death (if the spouse was receiving or was eligible to receive program benefits).

2 Residency

- Live in Illinois when the application is filed; and
- Live in an Illinois residence in 2003 that was subject to property or mobile home tax. (*This residency requirement is only for a grant.*)

3 Income

Total household income in 2003 must be less than

- \$21,218 for a single-person household; or
- \$28,480 for a two-person household; or
- \$35,740 for a three-or-more person household.

Other Taxes and Programs

SeniorCare applicants must meet the following requirements:

- Be 65 years of age or older
- Live in Illinois
- Be a U.S. citizen or qualified non-citizen (See Form IL-1363 instructions for the definition of qualified non-citizen.)
- Have income at or below 200 percent of the federal poverty level
- Inform the department of any other insurance that helps pay for prescription drugs
- File Form IL-1363 as the claimant or spouse

Prescription drug coverage information

Pharmaceutical Assistance

Annual fee: \$5 or \$25 based on income

Generic drug co-payment: \$0 or \$3 based on income

Brand name drug co-payment: \$0 or \$3 based on income, plus the difference in price between the brand name and generic drug*

Additional co-payment: 20 percent of the cost of the drug after Pharmaceutical Assistance has paid \$2,000 (from July 1, 2004 through June 30, 2005)

Drugs covered: prescription drugs used for the treatment of Alzheimer's disease, arthritis, cancer, diabetes (including insulin and the syringes and needles used to administer insulin), glaucoma, heart and blood pressure problems, lung disease and smoking-related illnesses, multiple sclerosis, osteoporosis, and Parkinson's disease

SeniorCare

Annual fee: \$0

Generic drug co-payment: \$0 or \$1 based on income

Brand name drug co-payment
(if generic is available): \$0 or \$4 based on income, plus the difference in price between the brand name and generic drug*

(if no generic is available): \$0 or \$4 based on income

Additional co-payment: an additional 20 percent of the cost of the drug once SeniorCare has paid \$1,750 (from July 1, 2004 through June 30, 2005)

Drugs covered: prescription drugs in the same categories as Pharmaceutical Assistance; most other prescription drugs; over-the-counter drugs prescribed by a doctor in the following categories: analgesics, antacids, laxatives, stool softeners, and smoking cessation products

* When a generic drug is available, but the participant chooses to purchase a name brand drug, the participant must pay the difference in price between the name brand and the generic drug unless the name brand drug is a federally defined narrow therapeutic index drug and substitution is not permitted because a doctor has indicated "brand medically necessary" on the prescription. This charge is in addition to the co-payment.

Property Tax Grant information

The maximum amount of the Property Tax Grant is based on household income and is calculated as follows:

Annual combined household income of less than \$14,000 — The amount of the grant is the lesser of either

- the amount of the applicant's property tax bill minus 3.5 percent of household income; or
- \$700 (the maximum grant allowable) minus 4.5 percent of household income.

Annual combined household income of \$14,000 or more — The amount of the grant is the lesser of either

- the amount of the applicant's property tax bill minus 3.5 percent of household income; or
- \$70.

Other Taxes and Programs

The applicant's property tax bill is figured by using

- the entire amount of property tax,
- the entire amount of mobile home tax,
- 25 percent of rent, or
- 6.25 percent of nursing home charges.

To check the status of an application or to inquire about Circuit Breaker or Pharmaceutical Assistance, use any of the following methods.

- Visit our web site at www.ILtax.com
- Call 1 800 624-2459. Applicants with a rotary (non-touch-tone) telephone may gain access to claim information using our voice recognition telephone system by saying the Social Security number and year of birth. Our telephone limiting system allows a maximum of three calls in a seven-day period to our toll-free assistance line during business hours. If a fourth call is made during business hours in that seven-day period, a prerecorded message informs the caller that the allotted number of calls has been exceeded and that the status of the claim can be checked using the automated system during nonbusiness hours. The purpose of this system is to provide better access to all individuals who need assistance.

- Write to us at the addresses below.
CIRCUIT BREAKER
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19003
SPRINGFIELD IL 62794-9003

PHARMACEUTICAL ASSISTANCE
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19021
SPRINGFIELD IL 62794-9021

Note → An annual report for the Circuit Breaker and Pharmaceutical Assistance Programs is available and outlines the two programs in greater detail. To obtain a copy, visit our web site at www.ILtax.com or write to the Pharmaceutical Assistance address.

Coin-operated Amusement Device and Redemption Machine Tax

Statutory reference

35 ILCS 510/1 to 510/16

Definition

The tax is imposed on the privilege of operating amusement devices that require insertion of coins, tokens, chips or similar objects. Jukeboxes, pinball machines, kiddie rides, and coin-operated video games are among the many coin-operated amusement devices that are required to display state decals under the Coin-operated Amusement Device and Redemption Machine Tax Act.

The tax is also imposed on the privilege of operating redemption machines — single-player or multi-player amusement devices involving a game whose purpose is to propel an object into, upon, or against a target.

Decals are valid for one year, and the license year begins August 1.

Tax rate

The rate is \$30 per decal.

Local taxes

Municipalities and counties may impose a tax on coin-operated amusement devices, which the Department of Revenue does **not** collect.

Filing and payment requirements

To receive decals — Form RCOA-1, Coin-operated Amusement Device Application for License (Decal), is used by both new licensees and approved licensees to purchase decals (including any additional decals) and must be accompanied by payment.

Forms — Form RCOA-1, Coin-operated Amusement Device Application for License (Decals), is due annually on July 31st and must be accompanied by payment. Form RCOA-1-A, Coin Operated Amusement Device Schedule, must be submitted with Form RCOA-1.

Other Taxes and Programs

Property Tax

The property tax is the largest single tax in Illinois, and is a major source of tax revenue for local government taxing districts. Every person and business in Illinois is affected by property taxes — whether by paying the tax or receiving services or benefits that are paid for by property taxes.

Property tax is a tax that is based on a property's value, sometimes called an "*ad valorem*" tax, which means "according to value." It is a local tax imposed by local government taxing districts (e.g., school districts, municipalities, counties) and administered by local officials (e.g., township assessors, chief county assessment officers, local boards of review, county collectors). Property taxes are collected and spent at the local level. In Illinois, the property tax is imposed on the value of real property (typically land, buildings, and permanent fixtures) owned. Illinois does **not** have a state property tax.

Local assessment officials are the resource for specific factual information about property taxes. The applicable Illinois laws can be reviewed in the Property Tax Code (35 ILCS 200/1-1 *et seq.*) at www.legis.state.il.us/ilcs/ch35.

Department of Revenue responsibilities

The department administers the following aspects of the property tax system:

- Provides technical assistance and training to local officials
- Maintains taxing district maps
- Approves non-homestead exemptions
- Equalizes assessments among counties
- Administers personal property replacement taxes
- Assesses railroad operating property and pollution control facilities
- Publishes appraisal and assessment manuals

Property tax cycle

Generally, the property tax cycle is a two-year cycle. During the first year, property is assigned a value that reflects its value as of January 1 of that year. (Farmland is assessed according to certified values that are based on a use-value formula.) During the second year, the tax bills are calculated and mailed and payments are distributed to local taxing districts.

This two-year cycle can be divided into six steps.

- 1 **Assessment** — All property is discovered, listed, and appraised so that values for property tax purposes can be determined. Local assessing officials determine most property values; the local county board of review and the Illinois Department of Revenue also have some assessment responsibilities. The chief county assessment officer ensures that assessment levels are uniform and at the legal assessment level by applying a uniform percentage increase or decrease to all assessments in the jurisdiction (*i.e.*, assessments are "equalized").
- 2 **Review of assessment decisions** — County boards of review determine whether local assessing officials have calculated assessed values correctly, equalize assessments within the county, assess any property that was omitted, decide if homestead exemptions should be granted, and review non-homestead exemption applications. Property owners and local taxing districts may appeal unfair assessments to their local county boards of review and, if the owner is dissatisfied with the board's decision, the State Property Tax Appeal Board or circuit court.
- 3 **State equalization** — The Illinois Department of Revenue equalizes assessments among counties and issues a state equalization factor for each county.
- 4 **Levy** — Taxing districts determine the amount of revenues that they need to raise from property taxes, hold any required public Truth-in-Taxation hearings, and certify levies to the county clerk.
- 5 **Extension** — The county clerk applies the state equalization factor, calculates the tax rate needed to produce the amount of revenues each taxing district may levy legally, apportions the levy among the properties in a taxing district according to their equalized assessed values so that tax bills can be computed, abates taxes as directed by taxing districts, and prepares books for the county collector.
- 6 **Collection and distribution** — The county collector prepares tax bills, receives property tax payments from property owners, distributes taxes to the local government taxing districts who levied them, and administers sales of liens on real estate parcels due to nonpayment of taxes.

For more detailed information about the local property tax cycle, see PTAX-1004, The Illinois Property Tax System. This booklet is available on our web site at www.ILtax.com.

Other Taxes and Programs

Real Estate Transfer Tax

Statutory reference

35 ILCS 200/31-1 to 31-70

Definition

The tax is imposed on the privilege of transferring title to real estate or a beneficial interest in real property that is the subject of a land trust in Illinois as represented by documents (deed or trust agreement) filed for recordation. If the property transferred remains subject to an existing mortgage, only the owner's equity (not the amount of the mortgage outstanding) is included in the base for computing the tax, provided that such a statement appears on the face of the deed or trust agreement.

The recorder of deeds or registrar of titles in each county collects the tax through the sale of revenue stamps which counties purchase from the Department of Revenue. The same stamp may also provide evidence of the payment of a county real estate transfer tax.

Tax rate

The state rate is 50 cents for each \$500 of value.

Local taxes

Counties may impose a tax of 25 cents per \$500 of value on real estate transactions. Home rule municipalities may also impose an additional real estate transfer tax.

Filing and payment requirements

Counties — Form RLG-14, Order-invoice for Real Estate Transfer Tax Stamps, is the form counties use to purchase the stamps. This form is filed as needed.

Individuals — Form PTAX-203, Illinois Real Estate Transfer Declaration, is completed by the buyer and seller and filed at the county in which the property is located. Form PTAX-203-A, Illinois Real Estate Transfer Declaration Supplemental Form A, is used for non-residential property with a sale price over \$1 million. Counties should have paper copies of these forms available. Form PTAX-203 and Form PTAX-203-A are also available in an on-line interactive format on our web site at www.ILtax.com/retd. Print these forms upon completion and file them with the county recorder of deeds or registrar of titles.

Tax Increment Financing

Statutory reference

65 ILCS 5/11-74.4-3

Definition

The department distributes state sales tax collections to municipalities that have tax increment financing (TIF) districts for either state sales tax, state utility tax, or both that produced an incremental growth in retail sales, or gas and electricity consumption. Funds are prorated to each municipality based on its share of the overall TIF net state increment.

Distribution

Overall TIF funding is 0.27 percent of net state sales tax revenues. Funds are allocated quarterly to all eligible TIF municipalities. Each TIF district is subject to the following reduction in order to determine the net state sales tax increment (the maximum amount available to each municipality for each TIF district):

- 80 percent of the increment up to and including \$100,000
- 60 percent of the increment exceeding \$100,000 but not exceeding \$500,000
- 40 percent of all amounts exceeding \$500,000

For each quarterly distribution, each eligible municipality receives a prorated share of the available distribution amount.

For information about the Property Tax TIF Program, contact the Department of Commerce and Economic Opportunity.

Taxes Collected for Local Governments

General information

This section covers only the taxes that we collect for units of local government. Some local governments impose taxes or fees that we do **not** collect. Therefore, we suggest that you contact your local government (municipal, county, mass transit, *etc.*) to determine if you are responsible for any other locally imposed taxes or fees related to your type of business.

Revenue-sharing with local governments

Some of the taxes that we collect are “shared” with units of local government (*i.e.*, charitable games and pull tabs taxes and license fees, income and replacement taxes, motor fuel taxes, and sales and use taxes). Taxes shared with local governments are described in PTAX-1003, Payments to Local Governments.

Most taxes we collect for units of local government are reported on the returns that are filed for that particular type of tax (*i.e.*, locally imposed hotel operators’ taxes are reported on Form RHM-1, locally imposed automobile renting taxes are reported on Form ART-1, and locally imposed sales and use taxes are reported on Form ST-1 or ST-556). Generally, we add the locally imposed tax to the state tax rate and reprint the combined rate on your return.

Separate return and payment requirements

The following taxes, which are explained further in this section, have separate return and payment requirements:

- Chicago Home Rule Municipal Soft Drink Retailers’ Occupation Tax (See Page 73.)
- County Motor Fuel Tax (See Page 74.)
- Metropolitan Pier and Exposition Authority (MPEA) Food and Beverage Tax (See Pages 73-74.)

Local Automobile Renting Occupation and Use Taxes

Statutory references

County Automobile Renting Occupation Tax, 55 ILCS 5/5-1032; County Automobile Renting Use Tax, 55 ILCS 5/5-1033; Metro-East Mass Transit District (MED) Automobile Renting Occupation Tax, 70 ILCS 3610/5.02; Metro-East Mass Transit District (MED) Automobile Renting Use Tax, 70 ILCS 3610/5.02; Metropolitan Pier and Exposition Authority (MPEA) Automobile Renting Occupation Tax, 70 ILCS 210/13(d); Metropolitan Pier and Exposition Authority (MPEA) Automobile Renting Use Tax, 70 ILCS 210/13(e); Municipal Automobile Renting Occupation Tax, 65 ILCS 5/8-11-7; Municipal Automobile Renting Use Tax, 65 ILCS 5/8-11-8; Regional Transportation Authority (RTA) Automobile Renting Occupation Tax, 70 ILCS 3615/4.03.1; Regional Transportation Authority (RTA) Automobile Renting Use Tax, 70 ILCS 3615/4.03.1

Definition

Local governments may impose automobile renting taxes on the same base as that used for the state automobile renting occupation and use taxes. (See “Automobile Renting Occupation and Use Taxes” on Page 60.)

Tax rates

- County and municipal governments and the Metro-East Mass Transit District (MED) may impose taxes of up to 1 percent.
- The Regional Transportation Authority (RTA) may levy such taxes at a rate not to exceed 1 percent in Cook County or 0.25 percent in DuPage, Kane, Lake, McHenry, and Will counties.
- The Metropolitan Pier and Exposition Authority (MPEA) imposes a 6 percent tax on automobiles rented within Cook County.

Filing requirements

Tax is reported on Form ART-1, Automobile Renting Occupation and Use Tax Return. If imposed, the rate will be preprinted on Form ART-1. For more information, see “Automobile Renting Occupation and Use Taxes” on Page 60.

Taxes Collected for Local Governments

City of Chicago Taxing Bodies

Chicago Home Rule Municipal Soft Drink Retailers' Occupation Tax

Statutory reference

65 ILCS 5/8-11-6b

Definition

The Chicago Home Rule Municipal Soft Drink Occupation Tax is imposed on persons who sell canned or bottled soft drinks at retail in Chicago. "Soft drinks" include (but are not limited to)

- soda water,
- carbonated water,
- colas, and
- drinks containing less than 50 percent natural fruit or vegetable juice.

The following list includes examples of drinks that are **not** included in the definition of soft drinks:

- Fountain drinks
- Noncarbonated water
- Coffee
- Tea
- Infant formula
- Milk or milk products
- Drinks containing 50 percent or more natural fruit or vegetable juice
- Nonalcoholic drink mixes
- Soft drinks when mixed and sold in an alcoholic drink

Tax rate

The rate is 3 percent of gross receipts from soft drinks sold at retail.

Filing and payment requirements

Form ST-14, Chicago Soft Drink Tax Return, is due monthly, quarterly, or annually, based on the taxpayer's average monthly liability. The department determines how often the return must be filed.

- A monthly return is due the 20th day of the month following the month for which the return is filed.
- A quarterly return is due the 20th day of the month following the quarter for which the return is filed.
- An annual return is due January 20th of the year following the year for which the return is filed.

Illinois Sports Facilities Hotel Tax

Statutory reference

70 ILCS 3205/19

Definition

The Illinois Sports Facilities Authority imposes a 2 percent of 98 percent tax on gross receipts from hotel operators within the City of Chicago. Receipts from permanent guests (occupants of 30 days or longer) are not taxed. Proceeds are used for the corporate purposes of the authority, including construction costs for the Comisky Baseball Park.

Filing requirements

The tax is reported on Form RHM-1, Hotel Operators' Occupation Tax Return. If imposed, the pre-printed rate on Form RHM-1 will include this tax. The due date is the same as provided for in the Hotel Operators' Occupation Tax. For more information, see "Hotel Operators' Occupation Tax" on Page 44.

Metropolitan Pier and Exposition Authority (MPEA) Food and Beverage Tax

Statutory reference

70 ILCS 210/13(b)

Definition

A retailers' occupation tax on the gross receipts from food prepared for immediate consumption, alcoholic beverages, and soft drinks is imposed on sales within Chicago's Metropolitan Pier and Exposition Authority (MPEA) boundaries.

Tax rate

The tax rate is 1 percent.

Taxes Collected for Local Governments

Filing requirements

Form ST-4, MPEA Food and Beverage Tax Return, is due monthly, quarterly, or annually, based on the taxpayer's average monthly liability. The department determines how often the return must be filed.

- A monthly return is due the 20th day of the month following the month for which the return is filed.
- A quarterly return is due the 20th day of the month following the quarter for which the return is filed.
- An annual return is due January 20th of the year following the year for which the return is filed.

Metropolitan Pier and Exposition Authority (MPEA) Hotel Tax

Statutory reference

70 ILCS 210/13(c)

Tax rate

The Metropolitan Pier and Exposition Authority (MPEA) imposes a 2.5 percent tax on the gross receipts from hotel operators within the City of Chicago.

Filing requirements

The tax is reported on Form RHM-1, Hotel Operators' Occupation Tax Return. If imposed, the pre-printed rate on Form RHM-1 will include this tax. The due date is the same as provided for in the Hotel Operators' Occupation Tax. For more information, see "Hotel Operators' Occupation Tax" on Page 44.

Municipal Hotel Tax (Chicago)

Statutory reference

65 ILCS 5/8-3-13

Tax rate

Chicago imposes a 1 percent of 99 percent tax on gross hotel receipts in the city. Receipts from permanent guests (occupants of 30 days or longer) are not taxed. Proceeds are used to promote tourism.

Filing requirements

The tax is reported on Form RHM-1, Hotel Operators' Occupation Tax Return. If imposed, the pre-printed rate on Form RHM-1 will include this tax. The due date is the same as provided for in the Hotel Operators' Occupation Tax. For more information, see "Hotel Operators' Occupation Tax" on Page 44.

County Motor Fuel Tax

Statutory reference

55 ILCS 5/5-1035.1

Definition

DuPage, Kane, and McHenry counties have imposed a tax on the retail sale of motor fuel at a rate not exceeding 4 cents per gallon. DuPage and McHenry counties levy the tax at the maximum rate, while Kane County imposes the tax at 2 cents per gallon.

Filing and payment requirements

Form CMFT-1, County Motor Fuel Tax Return, is due monthly, quarterly, or annually, based on the taxpayer's average monthly liability. The department determines how often the return must be filed.

- A monthly return is due the 20th day of the month following the month for which the return is filed.
- A quarterly return is due the 20th day of the month following the quarter for which the return is filed.
- An annual return is due January 20th of the year following the year for which the return is filed.

Taxes Collected for Local Governments

DuPage Water Commission Taxes

Statutory reference

70 ILCS 3720/4

Definition

The DuPage Water Commission Tax of 0.25 percent is imposed on sales of general merchandise within the boundaries serviced by the DuPage Water Commission. A “use” tax is also imposed at the same rate.

Filing requirement

Affected retailers and servicepersons report the tax on Form ST-1, Sales and Use Tax Return. If imposed, the preprinted rate on Form ST-1 will include this tax. The due date is the same as provided for in the Retailers’ Occupation Tax Act, the Service Occupation Tax Act, and the Use Tax Act. For more information, see “Retailers’ Occupation Tax, Service Occupation Tax, Service Use Tax, and Use Tax” on Pages 60-63.

Home Rule and Non-home Rule Sales and Use Taxes

Statutory references

Home Rule County Retailers’ Occupation Tax, 55 ILCS 5/5-1006; Home Rule County Service Occupation Tax, 55 ILCS 5/5-1007; Home Rule Municipal Retailers’ Occupation Tax, 65 ILCS 5/8-11-1 and 65 ILCS 5/8-11-1.6 (non-home rule provisions); Home Rule Municipal Service Occupation Tax, 65 ILCS 5/8-11-5

Definitions

Home rule units of local government are authorized to impose a **home rule sales tax** (in 0.25 percent increments) to be collected by the department. The tax is imposed on the same general merchandise base as the state sales tax, excluding titled or registered tangible personal property (such as vehicles, watercraft, aircraft, trailers, and mobile homes), and qualifying food, drugs and medical appliances.

Certain non-home rule units of local government are authorized to impose a **non-home rule sales tax** (in 0.25 percent increments) to be collected by the department. The tax is imposed on the same general merchandise base as the state sales tax, excluding titled or registered tangible personal property (such as vehicles, watercraft, aircraft, trailers, and mobile homes), and qualifying food, drugs and medical appliances.

The department administers the 1 percent **Chicago Home Rule Use Tax** on automobiles and other titled or registered items sold by dealers located in the counties of Cook, Kane, Lake, McHenry, DuPage, and Will selling items that will be registered to an address within the corporate limits of Chicago.

Filing requirements

Affected retailers and servicepersons report the tax on Form ST-1, Sales and Use Tax Return, or in the case of items that must be titled or registered (*i.e.*, Chicago Home Rule Use Tax), Form ST-556, Sales Tax Transaction Return. If imposed, the preprinted rate on Form ST-1 or Form ST-556 will include the tax. The due date is the same as provided for in the Retailers’ Occupation Tax Act, the Service Occupation Tax Act, and the Use Tax Act. For more information, see “Retailers’ Occupation Tax, Service Occupation Tax, Service Use Tax, and Use Tax” on Pages 60-63.

Mass Transit District Taxes (Regional Transportation Authority (RTA) Taxes and Metro-East Mass Transit (MED) Taxes)

Statutory references

Metro-East Mass Transit District (MED) Retailers’ Occupation Tax, 70 ILCS 3610/5.01(b); Metro-East Mass Transit District (MED) Service Occupation Tax, 70 ILCS 3610/5.01(c); Metro-East Mass Transit District (MED) Use Tax, 70 ILCS 3610/5.01(d); Regional Transportation Authority (RTA) Retailers’ Occupation Tax, 70 ILCS 3615/4.03; Regional Transportation Authority (RTA) Service Occupation Tax, 70 ILCS 3615/4.03; Regional Transportation Authority (RTA) Use Tax, 70 ILCS 3615/4.03

Definition

The **Regional Transportation Authority (RTA)** is authorized to impose a sales tax in Cook, DuPage, Kane, Lake, McHenry, and Will counties. The **Metro-East Mass Transit District (MED)** imposes a sales tax in parts of Madison and St. Clair counties.

Taxes Collected for Local Governments

Tax rates

The RTA imposes taxes at the following rates:

- 0.75 percent sales tax on general merchandise in Cook County
- 1.00 percent sales tax on qualifying food, drugs, and medical appliances in Cook County
- 0.25 percent sales tax on general merchandise and qualifying food, drugs, and medical appliances in DuPage, Kane, Lake, McHenry, and Will counties

The MED imposes taxes at the following rates:

- 0.25 percent sales tax on general merchandise and sales of qualifying food, drugs, and medical appliances in Madison County
- 0.75 percent sales tax on general merchandise (excluding items that are titled or registered) and sales of qualifying food, drugs, and medical appliances in St. Clair County
- 0.25 percent sales tax on sales of titled or registered general merchandise in St. Clair County and Madison County

Filing requirement

Affected retailers and servicepersons report the tax on Form ST-1, Sales and Use Tax Return, or, in the case of items that must be titled or registered, Form ST-556, Sales Tax Transaction Return. If imposed, the preprinted rate on Form ST-1 or Form ST-556 will include the tax. The due date is the same as provided for in the Retailers' Occupation Tax Act, the Service Occupation Tax Act, and the Use Tax Act. For more information, see "Retailers' Occupation Tax, Service Occupation Tax, Service Use Tax, and Use Tax" on Pages 60-63.

Metro-East Park and Recreation District Tax

Statutory reference

Metro-East Park and Recreation District Act, 70 ILCS 1605

Definition

The Metro-East Park and Recreation District tax of 0.10 percent is imposed on sales of general merchandise within the district's boundaries. The tax is imposed on the same general merchandise base as the state sales tax, excluding titled or registered tangible personal property (such as vehicles, watercraft, aircraft, trailers, and mobile homes), and qualifying food, drugs and medical appliances.

Filing requirement

Affected retailers and servicepersons report the tax on Form ST-1, Sales and Use Tax Return. If imposed, the preprinted rate on Form ST-1 will include this tax. The due date is the same as provided for in the Retailers' Occupation Tax Act, the Service Occupation Tax Act, and the Use Tax Act.

Special County Retailers' Occupation Tax for Public Safety

Statutory reference

55 ILCS 5/5-1006.5

Definition

County governments are authorized to impose, with voter approval, a countywide tax (in 0.25 percent increments) to be collected by the department. The tax is imposed on the same general merchandise base as the state sales tax, excluding titled or registered tangible personal property (such as vehicles, watercraft, aircraft, trailers, and mobile homes) and qualifying food, drugs and medical appliances.

Filing requirement

Affected retailers and servicepersons report the tax on Form ST-1, Sales and Use Tax Return. If imposed, the preprinted rate on Form ST-1 will include this tax. The due date is the same as provided for in the Retailers' Occupation Tax Act, the Service Occupation Tax Act, and the Use Tax Act. For more information, see "Retailers' Occupation Tax, Service Occupation Tax, Service Use Tax, and Use Tax" on Pages 60-63.

Taxes Collected for Local Governments

Simplified Municipal Telecommunications Tax

Statutory references

35 ILCS 636

Definitions

Municipalities may impose the Simplified Municipal Telecommunications Tax on the privilege of originating or receiving telecommunications.

Additional registration requirements

In addition to filing Form REG-1, you must file Form REG-9, Telecommunications Tax Service Information to identify each municipality where you provide telecommunications service.

Filing requirements

Municipalities with a population of 500,000 or less who impose this tax are required to report the tax on Form RT-2, Telecommunications Tax Return. The due dates are the same as provided for in the Telecommunications Tax Act on Pages 46 and 47.



Printed by authority of the State of Illinois
(10,000 - 1/04 - 2040866)